

**MARSHALL COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2015

**MARSHALL COUNTY SCHOOL DISTRICT**  
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# KIM HAM

## CERTIFIED PUBLIC ACCOUNTANT

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MEMBER,  
American Institute  
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♦  
MEMBER,  
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### INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Marshall County School District  
Benton, Kentucky

#### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Marshall County School District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract, including Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District as of June 30, 2015 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note O to the financial statements, in 2015 the Marshall County School District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. My opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 4 through 8 and 40 through 45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.


### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 11, 2015, on my consideration of the Marshall County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marshall County School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Kim Glan". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky  
November 11, 2015

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

As management of the Marshall County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning balance of all funds (general, special revenue, district activity funds, capital outlay, building, debt service, and food service) for the District totaled \$6,811,462.60. The revenue in these funds yielded \$50,717,080.36 (not including beginning balances), which primarily consisted of the state program (SEEK), property, occupational, utilities, in lieu and motor vehicle taxes. The expenditures in these funds totaled \$50,024,803.75. The ending balance was \$7,503,739.21. The beginning balance in the construction fund was \$84,274.80. Revenues were \$25,422,453.57 and expenditures were \$3,602,433.11 for an ending balance of \$21,904,295.26.
- Property assessments generated on July 28, 2014 and then certified to the District Board of Education by the Commissioner showed total real and personal property valuation at \$2,085,465,124 and motor vehicle valuation at \$272,533,261. The real estate/tangible rate approved by the Marshall County Board of Education was 47.2 cents per \$100 of assessed property. This rate represented the compensating rate option as stated in the Kentucky Department of Education's "Real Estate and Personal Property Tax Calculation" plus 0.4 cents due to exonerations. Note: 5.9 cents of this is required to produce the 5 cent equivalent. Total collected was \$9,456,296. The motor vehicle property tax rate was 45.6 cents per \$100 of assessed property. The total collected was \$1,312,012.
- Districts are funded through the Support Education Excellence in Kentucky (SEEK) calculation. A vital component of this calculation is the Average Daily Attendance (ADA). The final funding ADA for FY15 was \$4,320.331. The district ADA showed growth of 101.08 during the year. Growth is calculated by taking the difference between the end of the second month attendance figures in the prior year (FY14) and the end of the second month attendance figures in the current year (FY15). (Note: In years when the ADA declines, there is no penalty. Districts are simply funded based on the prior year end of year ADA).
- During FY15, the District received \$15,148,661 in state SEEK funds. This is \$674,819 more than the prior year. The guaranteed per pupil base was \$3,911 (compared to \$3,827 in FY14). Transportation was again not fully funded through the SEEK calculation during FY15. Full funding would have been \$2,569,347. Funding was prorated at 59.28% for a total of \$1,523,258 and a difference of \$1,046,089. Personnel costs do continue to increase with across the board raises. However, the employer matching cost for CERS was down from 18.89% in FY14 to 17.67%. Unpredictable fuel costs continue to make the reduction in transportation funding increasingly difficult to manage from year to year. Fortunately, overall diesel costs were down substantially this year. Total diesel costs were \$203,973 in FY15 compared to \$292,100 in the prior year. Most of the decrease is attributed to the reduction in diesel prices. (A small amount of the reduction is due to a reduction in miles traveled. FY15 miles traveled were 704,388 vs. FY14 at 735,134).
- There was an across the board salary increase of 2% during FY15. Rank and step increases also apply to the salary schedule each year. Total payroll (not including benefits or on behalf) for FY15 was \$25,734,191 compared to \$24,840,097 in FY14.
- Utilities receipts were down 12.2% from the prior year. The total collection for the year was \$3,065,226. During any given year, the change can be attributed to a combination of usage, fluctuating prices, and rate of collection. The Department of Revenue (DOR) collects the utilities tax on behalf of the school districts in Kentucky for a fee not to exceed one percent.
- The level at which grants are subsidized by the District remains significant. As a number of variables cause grant awards to fluctuate, the District must choose to either subsidize the individual grant or make cuts in the program. During FY15, the District spent \$1,071,247 to supplement programs as follows: Technical Center, 67.10%, KERA Preschool, 7.84%, Gifted and Talented, 6.29%, Safe Schools, 5.58%, Teacher Quality, 4.68%, Family Resource, 2.93%, Read to Achieve, 2.63%, ESS, 1.03%, Adult Learning Center, .71%, ALC Community Ed, .45%, Carl Perkins, .34%, Professional Development, .23%, and Project Lead the Way, .19%. At 67.10% of the total, the District spent \$718,920 from the general fund to assist operations of the Technical Center during FY15.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

**FINANCIAL HIGHLIGHTS (Continued)**

- There remains a focus on investing in plant management, considering the age and size of our facilities. This process will be achieved using building priorities as compiled in the facilities plan, combined with available funding. During FY 15, a local planning committee (LPC) convened and on June 30, 2015 was still in the process of completing, according to guidelines set forth by KDE, a new local district facility plan. Therefore, the current plan on file is from 2011. It shows capital construction priorities with a cost estimate of \$39,048,129. The plan was approved by the LPC and then presented to the Marshall County Board of Education at a regularly scheduled meeting on February 17, 2011. On June 8, 2011, the Kentucky Board of Education approved the plan. The number one item on that plan was the new construction of a school to replace Benton Middle and South Marshall Middle. That school construction is underway with the new school (named South Marshall Middle School) expected to open for the 16-17 school year.
- Electricity expenses were down 2.65% from the prior year for a total expenditure of \$988,552. Natural gas expenditures were down 12.37% from the prior year with \$203,361 being spent. These percentages only reflect actual dollars spent during the year and do not factor in any differences in usage from year to year.
- Funds spent on diesel fuel were down 30.17% from the prior year with a total expenditure of \$203,973. Gasoline expenditures were down 30.57% from the prior year with a total expenditure of \$43,085. The percentages noted only compare actual dollars spent during the years and do not factor in any differences in usage. (A small amount of the reduction is due to a reduction in miles traveled. FY 15 miles traveled were 704,388 vs. FY14 at 735,134).
- Retiree health care legislation passed through the Kentucky House of Representatives and was signed into law by the Governor on April 13, 2010. The purpose of this legislation was to "insure that not only Kentucky's current retired teachers, but active teachers when they retire as well, will continue to receive health benefits. It also helps the pension fund" (according to the April/May 2010 Kentucky Teachers' Retirement System Active Member Edition newsletter). In this "shared responsibility solution", districts would match the employee contribution for KTRS health as follows:

KTRS Health	10-11	11-12	12-13	13-14	14-15	15-16
Cost	\$45,606	\$95,225	\$185,587	\$277,238	\$427,251	
Rate	.25%	.50%	1.00%	1.50%	2.25%	3.00%

- Most classified personnel are covered under the County Employees Retirement System (CERS). This year, contributions to the plan consist of an employee contribution of 5.0% (members with a participation date on or after September 1, 2008 must contribute an additional 1%). The employer match for CERS increased aggressively for several years and then dropped for FY09. Rates took another significant increase effective July 1, 2009 for FY10. The employer match for FY 14-15 dropped to 17.67%. The employer matching requirement from FY14 to FY15 (for all funds) increased by \$14,949 for a total expenditure of \$912,132.

fiscal year	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15
rate	7.34%	8.48%	10.98%	13.19%	16.17%	13.5%	16.16%	16.93%	18.96%	19.55%	18.89%	17.67%

- The district purchased seven (3 route, 1 special need route, 1 trip and 2 preschool) buses during FY15 at a total of \$696,634.



**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our food service operations, adult education, and our self-insurance dental fund. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 39 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$23,088,312 as of June 30, 2015.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Assets and liabilities are much higher than in previous years. The issuance of bonds payable for the construction of the new middle school increased cash and increased long-term debt. A portion of the proceeds has been spent on construction, but a large amount remains in the checking account to be used as construction progresses. Also, the requirements of GASB 68 caused a large pension related liability to be recorded, which is more fully discussed in Note G.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

	Net Position for the period ending	
	June 30, 2015	June 30, 2014
Current Assets	\$ 34,214,871	\$ 9,879,672
Noncurrent Assets	39,662,845	36,698,517
<b>Total Assets</b>	<b><u>\$ 73,877,716</u></b>	<b><u>\$ 46,578,189</u></b>
Deferred Loss from Refunding Bonds	\$ 880,675	\$ 978,528
Contributions subsequent to the measurement date	918,923	0
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 1,799,598</u></b>	<b><u>\$ 978,528</u></b>
Current Liabilities	\$ 4,747,024	\$ 2,532,036
Noncurrent Liabilities	47,030,225	16,714,169
<b>Total Liabilities</b>	<b><u>\$ 51,777,249</u></b>	<b><u>\$ 19,246,205</u></b>
Difference between projected and actual earnings	\$ 811,753	\$ 0
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 811,753</u></b>	<b><u>\$ 0</u></b>
Net investment in capital assets	\$ 20,854,682	\$ 19,647,662
Restricted for:		
District activity funds	126,615	1,378
Capital projects and construction	2,708,610	1,268,348
Debt service	16,873	16,658
Other	334,595	325,672
Food service	404,300	302,672
Unrestricted	(1,357,363)	6,748,122
<b>Total Net Position</b>	<b><u>\$ 23,088,312</u></b>	<b><u>\$ 28,310,512</u></b>

The following presents a summary of revenue and expense for the fiscal year ended June 30, 2015, compared to the fiscal year ended June 30, 2014.

	June 30, 2015	June 30, 2014
<b>Program Revenues:</b>		
Charges for Services-Governmental	\$ 279,430	\$ 165,284
Charges for Services-Food Service	655,556	733,525
Operating Grants-Governmental	12,015,108	11,089,675
Operating Grants-Food Service	2,147,399	1,969,860
Capital Grants-Governmental	1,063,225	970,370
<b>Total program revenues</b>	<b><u>16,160,718</u></b>	<b><u>14,928,714</u></b>
<b>General Revenues:</b>		
Taxes	17,543,200	16,521,147
Earnings on investments	219,103	139,453
State and formula grants	15,148,661	14,473,842
Gain on retirement of assets	7,119	27,974
Miscellaneous	0	243
<b>Total general revenues</b>	<b><u>32,918,083</u></b>	<b><u>31,162,659</u></b>
<b>Total Revenues</b>	<b><u>49,078,801</u></b>	<b><u>46,091,373</u></b>
<b>Expenses:</b>		
Instruction	28,196,069	27,433,387
Student support services	1,844,098	1,786,805
Instructional support	1,212,138	1,139,215
District administration	1,668,416	1,732,533
School administration	2,100,783	2,076,422
Business support	928,068	893,597
Plant operations	4,706,795	4,557,049
Student transportation	2,397,623	2,467,492
Community services	314,911	305,974
Food Service Operation	2,756,664	2,614,943
Adult education	2,444	2,444
Interest on long-term debt	824,652	671,193
Other Debt Service	175,518	21,505
<b>Total expenses</b>	<b><u>47,128,179</u></b>	<b><u>45,702,559</u></b>
<b>Change in Net Position</b>	<b>1,950,622</b>	<b>388,814</b>
<b>Beginning Net Position</b>	<b>28,310,512</b>	<b>27,921,698</b>
<b>Prior period adjustment</b>	<b><u>(7,172,822)</u></b>	<b><u>0</u></b>
<b>Ending Net Position</b>	<b><u>\$ 23,088,312</u></b>	<b><u>\$ 28,310,512</u></b>

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Governmental Funds Revenue Recap**

The majority of revenues (excluding proceeds from bonds, sale of assets, and interfund transfers) were derived from state funding (55.87%) followed by local funding (38.98%), and federal funding (5.15%).

**Governmental Funds Expenditure Recap**

Excluding interfund transfers, instruction expenditures made up the majority at (55.83%) followed by Plant Operations (9.78%), Facilities Acquisition and Construction (8.29%), Student Transportation (5.54%), School Administration (4.34%), Student Support Services (3.81%), Debt Service (3.79%), District Administration (3.54%), Student Instructional Support Services (2.51%), Business Support (1.92%), and Community Services (0.65%).

**COMMENTS ON BUDGET COMPARISONS**

During the 14-16 Biennium, the General Assembly (through passage of House Bill 235 in the 2014 regular session) continues to allow flexibility in the use of school district capital funds without forfeiting the District's eligibility to participate in the School Facilities Construction Commission (SFCC) program. As such, the potential for significant budget changes are present, potentially affecting the flow from one fiscal year to another.

At the end of each odd fiscal year, remaining funds in the capital outlay fund and the building fund must be moved to a restricted SFCC escrow account if the District wants to participate in SFCC offers of assistance. Because of this, there are no funds budgeted to the carryforward account in the next year for these capital funds.

**ADDITIONAL NOTES**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal grants, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the general fund budget must have a minimum 2% contingency. The Kentucky Department of Education recommends at least 4% and recognizes 10% as being appropriate, especially considering the uncertainty of a number of critical factors. The FY15 working budget was approved at the September 18, 2014 Board of Education meeting. Over the course of the year, the District revised the annual operating budget several times. Kentucky districts are required to present to the Board of Education a Draft Budget, Tentative Working Budget, and Working Budget. Significant amendments after the passage of the Working Budget are brought to the Board of Education (during the Treasurer's report) for subsequent review.

Questions regarding this report should be directed to the Superintendent or Finance Officer at (270)527-8628 or by mail at 86 High School Road, Benton, KY 42025.

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF NET POSITION**  
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 32,430,881	\$ 406,108	\$ 32,836,989
Accounts receivable:			
Taxes - current	881,955	0	881,955
Taxes - delinquent	67,930	0	67,930
Accounts receivable	3,480	926	4,406
Due from school activity funds	3,221	0	3,221
Interest	6	0	6
Intergovernmental - state	33,860	0	33,860
Intergovernmental - indirect federal	335,490	0	335,490
Inventory	0	49,491	49,491
Prepaid expenses	1,523	0	1,523
<b>Total current assets</b>	<u>33,758,346</u>	<u>456,525</u>	<u>34,214,871</u>
<b>Noncurrent Assets:</b>			
Capital assets	78,128,516	1,431,331	79,559,847
Less: Accumulated depreciation	(38,682,806)	(1,214,196)	(39,897,002)
<b>Total noncurrent assets</b>	<u>39,445,710</u>	<u>217,135</u>	<u>39,662,845</u>
<b>TOTAL ASSETS</b>	<u>\$ 73,204,056</u>	<u>\$ 673,660</u>	<u>\$ 73,877,716</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred loss from refunding bonds	\$ 1,272,087	\$ 0	\$ 1,272,087
Less: Accumulated amortization	(391,412)	0	(391,412)
Contributions subsequent to the measurement date	918,923	0	918,923
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,799,598</u>	<u>\$ 0</u>	<u>\$ 1,799,598</u>
<b>LIABILITIES :</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 2,316,020	\$ 1,431	\$ 2,317,451
Due to school activity funds	320	0	320
Unearned grant revenue	389,355	0	389,355
Current portion of bond obligations	1,641,000	0	1,641,000
Less: Current portion of unamortized bond discount	(46,098)	0	(46,098)
Current portion of capital lease payable	68,657	0	68,657
Current portion of KSBIT payable	21,872	0	21,872
Current portion of accrued sick leave	99,590	8,432	108,022
Interest payable	246,445	0	246,445
<b>Total current liabilities</b>	<u>4,737,161</u>	<u>9,863</u>	<u>4,747,024</u>
<b>Noncurrent Liabilities:</b>			
Noncurrent portion of bond obligations	39,598,000	0	39,598,000
Less: Noncurrent portion of unamortized bond discount	(633,085)	0	(633,085)
Noncurrent portion of capital lease payable	141,042	0	141,042
Noncurrent portion of KSBIT payable	109,358	0	109,358
Noncurrent portion of accrued sick leave	500,349	42,362	542,711
Net pension liability	7,272,199	0	7,272,199
<b>Total noncurrent liabilities</b>	<u>46,987,863</u>	<u>42,362</u>	<u>47,030,225</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 51,725,024</u>	<u>\$ 52,225</u>	<u>\$ 51,777,249</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Difference between projected and actual earnings	\$ 811,753	\$ 0	\$ 811,753
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 20,637,547	\$ 217,135	\$ 20,854,682
Restricted for:			
District activity funds	126,615	0	126,615
Capital projects and construction	2,708,610	0	2,708,610
Debt service	16,873	0	16,873
Other	334,595	0	334,595
Food service	0	404,300	404,300
Unrestricted	(1,357,363)	0	(1,357,363)
<b>TOTAL NET POSITION</b>	<u>\$ 22,466,877</u>	<u>\$ 621,435</u>	<u>\$ 23,088,312</u>

See independent auditor's report and accompanying notes to financial statements

**MARSHALL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for	Operating Grants &	Capital Grants &	Governmental Activities	Business- Type Activities	Total
		Services	Contributions	Contributions			
<b>Governmental Activities:</b>							
Instruction	\$28,196,069	\$279,430	\$ 9,117,828	\$ 1,028,678	\$ (17,770,133)	\$ 0	\$ (17,770,133)
Support Services:							
Student	1,844,098	0	400,835	0	(1,443,263)	0	(1,443,263)
Instructional Staff	1,212,138	0	406,871	0	(805,267)	0	(805,267)
District Administration	1,668,416	0	104,455	0	(1,563,961)	0	(1,563,961)
School Administration	2,100,783	0	502,653	0	(1,598,130)	0	(1,598,130)
Business	928,068	0	242,680	0	(685,388)	0	(685,388)
Plant operations and maintenance	4,706,795	0	440,115	34,547	(4,232,133)	0	(4,232,133)
Student transportation	2,397,623	0	405,944	0	(1,991,679)	0	(1,991,679)
Food service	1,260	0	0	0	(1,260)	0	(1,260)
Community service activities	314,911	0	306,887	0	(8,024)	0	(8,024)
Interest on long-term debt	824,652	0	86,840	0	(737,812)	0	(737,812)
Other debt service	175,518	0	0	0	(175,518)	0	(175,518)
<b>Total governmental activities</b>	<b>44,370,331</b>	<b>279,430</b>	<b>12,015,108</b>	<b>1,063,225</b>	<b>(31,012,568)</b>	<b>0</b>	<b>(31,012,568)</b>
<b>Business-Type Activities:</b>							
Food service	2,755,404	655,556	2,147,399	0	0	47,551	47,551
Adult education	2,444	0	0	0	0	(2,444)	(2,444)
<b>Total business-type activities</b>	<b>2,757,848</b>	<b>655,556</b>	<b>2,147,399</b>	<b>0</b>	<b>0</b>	<b>45,107</b>	<b>45,107</b>
<b>Total primary government</b>	<b>\$47,128,179</b>	<b>\$934,986</b>	<b>\$14,162,507</b>	<b>\$ 1,063,225</b>	<b>(31,012,568)</b>	<b>45,107</b>	<b>(30,967,461)</b>
<b>General Revenues:</b>							
Taxes:							
Property					9,661,180	0	9,661,180
Motor Vehicle					1,312,012	0	1,312,012
Utilities					3,065,226	0	3,065,226
Occupational license tax					2,085,272	0	2,085,272
In Lieu of					1,419,510	0	1,419,510
Earnings on Investments					214,349	4,754	219,103
State and formula grants					15,148,661	0	15,148,661
Gain on retirement of assets					7,119	0	7,119
<b>Change in net position</b>					<b>1,900,761</b>	<b>49,861</b>	<b>1,950,622</b>
Net position at July 1, 2014					27,738,938	571,574	28,310,512
Prior period adjustment - Note O					(7,172,822)	0	(7,172,822)
Net position at June 30, 2015					<b>\$ 22,466,877</b>	<b>\$621,435</b>	<b>\$ 23,088,312</b>

See independent auditor's report and accompanying notes to financial statements

**MARSHALL COUNTY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS AND RESOURCES:</b>					
Cash and cash equivalents	\$ 6,415,570	\$ 183,265	\$ 23,770,300	\$ 1,692,166	\$ 32,061,301
Accounts receivable:					
Taxes - current	881,955	0	0	0	881,955
Taxes - delinquent	67,930	0	0	0	67,930
Accounts receivable	3,480	0	0	0	3,480
Due from school activity funds	455	2,766	0	0	3,221
Interest	6	0	0	0	6
Intergovernmental - state	453	33,407	0	0	33,860
Intergovernmental - indirect federal	6,052	329,438	0	0	335,490
Prepaid expenses	1,523	0	0	0	1,523
<b>TOTAL ASSETS AND RESOURCES</b>	<b>\$ 7,377,424</b>	<b>\$ 548,876</b>	<b>\$ 23,770,300</b>	<b>\$ 1,692,166</b>	<b>\$ 33,388,766</b>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 382,125	\$ 32,906	\$ 1,866,004	\$ 0	\$ 2,281,035
Due to school activity funds	320	0	0	0	320
Unearned grant revenue	0	389,355	0	0	389,355
Current portion of accrued sick leave	99,590	0	0	0	99,590
<b>TOTAL LIABILITIES</b>	<b>482,035</b>	<b>422,261</b>	<b>1,866,004</b>	<b>0</b>	<b>2,770,300</b>
<b>FUND BALANCES:</b>					
Nonspendable	1,523	0	0	0	1,523
Restricted	299,969	122,958	21,904,296	1,692,166	24,019,389
Committed	1,165,716	0	0	0	1,165,716
Assigned	205,596	3,657	0	0	209,253
Unassigned	5,222,585	0	0	0	5,222,585
<b>TOTAL FUND BALANCES</b>	<b>6,895,389</b>	<b>126,615</b>	<b>21,904,296</b>	<b>1,692,166</b>	<b>30,618,466</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,377,424</b>	<b>\$ 548,876</b>	<b>\$ 23,770,300</b>	<b>\$ 1,692,166</b>	<b>\$ 33,388,766</b>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION**  
June 30, 2015

Total governmental fund balance per fund financial statements		\$ 30,618,466
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	\$ 78,128,516	
Accumulated depreciation	<u>(38,682,806)</u>	39,445,710
Deferred outflows that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet		
Deferred loss from refunding bonds	880,675	
Contributions subsequent to the measurement date	<u>918,923</u>	1,799,598
Deferred inflows that are not due and payable in the current period and, therefore, are not reported as liabilities in the funds		
Difference between projected and actual earnings		(811,753)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Interest payable	(246,445)	
Net pension liability	<u>(7,272,199)</u>	(7,518,644)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(40,769,516)	
KSBIT payable	(131,230)	
Accrued sick leave payable	<u>(500,349)</u>	(41,401,095)
Internal service funds are used by management to charge the cost of dental insurance to individual funds. The assets and liabilities of this internal service fund not included in other reconciling items are:		
Current assets	369,580	
Current liabilities	<u>(34,985)</u>	<u>334,595</u>
Net position of governmental activities		<u><u>\$ 22,466,877</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
From Local Sources:					
Taxes:					
Property	\$ 7,303,182	\$ 0	\$ 0	\$ 2,357,998	\$ 9,661,180
Motor Vehicle	1,312,012	0	0	0	1,312,012
Utilities	3,065,226	0	0	0	3,065,226
Occupational license tax	2,085,272	0	0	0	2,085,272
In Lieu of	1,377,572	0	0	0	1,377,572
Earnings on Investments	140,113	3,410	74,020	216	217,759
Student activities	0	186,293	0	0	186,293
Other local revenues	91,425	29,850	0	0	121,275
Intergovernmental - State	23,046,061	1,678,288	0	1,115,518	25,839,867
Intergovernmental - indirect federal	126,293	2,257,146	0	0	2,383,439
<b>TOTAL REVENUES</b>	<b>38,547,156</b>	<b>4,154,987</b>	<b>74,020</b>	<b>3,473,732</b>	<b>46,249,895</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction	23,395,776	3,660,966	0	0	27,056,742
Support Services:					
Student	1,843,460	5,434	0	0	1,848,894
Instructional Staff	1,071,519	142,739	0	0	1,214,258
District Administration	1,690,951	25,215	0	0	1,716,166
School Administration	2,104,283	0	0	0	2,104,283
Business	928,147	0	0	0	928,147
Plant operations and maintenance	4,698,611	39,914	0	0	4,738,525
Student transportation	2,612,288	74,578	0	0	2,686,866
Food service	1,260	0	0	0	1,260
Community service activities	47,948	266,963	0	0	314,911
Facilities acquisition and construction	0	0	3,602,433	415,329	4,017,762
Debt service	0	0	0	1,836,978	1,836,978
<b>TOTAL EXPENDITURES</b>	<b>38,394,243</b>	<b>4,215,809</b>	<b>3,602,433</b>	<b>2,252,307</b>	<b>48,464,792</b>
Excess (deficit) of revenues over expenditures	152,913	(60,822)	(3,528,413)	1,221,425	(2,214,897)
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale or comp for loss of assets	7,119	0	0	0	7,119
Proceeds of revenue refunding bonds	0	0	24,618,444	0	24,618,444
Operating transfers in	0	133,919	729,990	1,592,457	2,456,366
Operating transfers out	(101,263)	(32,656)	0	(2,322,447)	(2,456,366)
<b>TOTAL OTHER FINANCING       SOURCES (USES)</b>	<b>(94,144)</b>	<b>101,263</b>	<b>25,348,434</b>	<b>(729,990)</b>	<b>24,625,563</b>
Net change in fund balance	58,769	40,441	21,820,021	491,435	22,410,666
<b>Fund Balance, July 1, 2014</b>	<b>6,836,620</b>	<b>1,378</b>	<b>84,275</b>	<b>1,200,731</b>	<b>8,123,004</b>
<b>Prior period adjustment - Note O</b>	<b>0</b>	<b>84,796</b>	<b>0</b>	<b>0</b>	<b>84,796</b>
<b>Fund Balance, June 30, 2015</b>	<b>\$ 6,895,389</b>	<b>\$ 126,615</b>	<b>\$ 21,904,296</b>	<b>\$ 1,692,166</b>	<b>\$ 30,618,466</b>

See independent auditor's report and accompanying notes to financial statements



MARSHALL COUNTY SCHOOL DISTRICT  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES**  
 For the Year Ended June 30, 2015

Net change in total governmental fund balances per fund financial statements		\$ 22,410,666
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays are exceeded by depreciation expense for the year.		
Depreciation expense	(2,022,503)	
Capital outlays	<u>5,038,598</u>	3,016,095
Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.		
Gross proceeds from the sale of fixed assets	(7,119)	
Gain on the disposal of fixed assets	<u>7,119</u>	0
Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Bond proceeds	(24,618,444)	
Capital lease principal paid	67,443	
Note principal paid	43,743	
Bond principal paid	<u>1,285,000</u>	(23,222,258)
Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.		
Amortization of deferred loss on early retirement of debt	(97,853)	
Bond issuance costs on new bond issue	(154,760)	
Amortization of bond discounts	<u>(20,758)</u>	(273,371)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. These net differences are as follows:		
Interest payable	(174,821)	
Pension expense	92,589	
Accrued sick leave	<u>42,938</u>	(39,294)
Internal service funds are used by management to charge the costs of dental insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.		<u>8,923</u>
Change in net position of governmental activities		<u><u>\$ 1,900,761</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2015

	Food Service Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS:</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 406,108	\$ 0	\$ 406,108	\$ 369,580
Accounts receivable:				
Other accounts receivable	926	0	926	0
Inventory	49,491	0	49,491	0
<b>Total current assets</b>	<u>456,525</u>	<u>0</u>	<u>456,525</u>	<u>369,580</u>
<b>Noncurrent Assets</b>				
Capital assets	1,291,211	140,120	1,431,331	0
Less: accumulated depreciation	<u>(1,091,652)</u>	<u>(122,544)</u>	<u>(1,214,196)</u>	<u>0</u>
<b>Total noncurrent assets</b>	<u>199,559</u>	<u>17,576</u>	<u>217,135</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 656,084</u></u>	<u><u>\$ 17,576</u></u>	<u><u>\$ 673,660</u></u>	<u><u>\$ 369,580</u></u>
<b>LIABILITIES:</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 1,431	\$ 0	\$ 1,431	\$ 0
Current portion of accrued sick leave	8,432	0	8,432	0
Estimated claims payable, current	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,985</u>
<b>Total current liabilities</b>	<u>9,863</u>	<u>0</u>	<u>9,863</u>	<u>34,985</u>
<b>Noncurrent Liabilities</b>				
Noncurrent portion of accrued sick leave	<u>42,362</u>	<u>0</u>	<u>42,362</u>	<u>0</u>
<b>Total noncurrent liabilities</b>	<u>42,362</u>	<u>0</u>	<u>42,362</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 52,225</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 52,225</u></u>	<u><u>\$ 34,985</u></u>
<b>Net Position</b>				
Net investment in capital assets	\$ 199,559	\$ 17,576	\$ 217,135	\$ 0
Restricted for food service	404,300	0	404,300	0
Other restricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>334,595</u>
<b>Total net position</b>	<u><u>\$ 603,859</u></u>	<u><u>\$ 17,576</u></u>	<u><u>\$ 621,435</u></u>	<u><u>\$ 334,595</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2015

	Food Service Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Operating Revenues:</b>				
Lunchroom sales	\$ 641,534	\$ 0	\$ 641,534	\$ 0
Other operating revenues	14,022	0	14,022	0
Charges for services from other funds	0	0	0	298,434
COBRA revenues	0	0	0	6,361
<b>Total operating revenues</b>	<u>655,556</u>	<u>0</u>	<u>655,556</u>	<u>304,795</u>
<b>Operating Expenses:</b>				
Salaries and benefits	1,214,903	0	1,214,903	0
Contract services	30,458	0	30,458	28,442
Materials and supplies	1,459,701	0	1,459,701	0
Depreciation	49,323	2,444	51,767	0
Claims paid	0	0	0	271,721
Other operating expenses	1,019	0	1,019	0
<b>Total operating expenses</b>	<u>2,755,404</u>	<u>2,444</u>	<u>2,757,848</u>	<u>300,163</u>
Operating income (loss)	<u>(2,099,848)</u>	<u>(2,444)</u>	<u>(2,102,292)</u>	<u>4,632</u>
<b>Non-Operating Revenues (Expenses):</b>				
Federal grants	1,681,968	0	1,681,968	0
Donated commodities	181,191	0	181,191	0
State grants	284,240	0	284,240	0
Interest income	4,754	0	4,754	4,291
<b>Total non-operating revenues</b>	<u>2,152,153</u>	<u>0</u>	<u>2,152,153</u>	<u>4,291</u>
Change in net position	52,305	(2,444)	49,861	8,923
<b>Net Position, July 1, 2014</b>	<u>551,554</u>	<u>20,020</u>	<u>571,574</u>	<u>325,672</u>
<b>Net Position, June 30, 2015</b>	<u><u>\$ 603,859</u></u>	<u><u>\$ 17,576</u></u>	<u><u>\$ 621,435</u></u>	<u><u>\$ 334,595</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2015

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Cash Flows from Operating Activities:</b>				
Cash received from:				
Lunchroom sales	\$ 641,534	\$ 0	\$ 641,534	\$ 0
Other operating revenues	13,671	0	13,671	6,361
Charges for services from other funds	0	0	0	298,434
Cash paid to/for:				
Employees	(957,606)	0	(957,606)	0
Contract services	(31,148)	0	(31,148)	(28,399)
Materials and supplies	(1,257,427)	0	(1,257,427)	0
Other operating expenses	(1,019)	0	(1,019)	(270,252)
<b>Net cash provided by (used in) operating activities</b>	<u>(1,591,995)</u>	<u>0</u>	<u>(1,591,995)</u>	<u>6,144</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Operating grants received	1,708,634	0	1,708,634	0
<b>Net cash provided by (used in)</b>				
<b>non-capital financing activities</b>	<u>1,708,634</u>	<u>0</u>	<u>1,708,634</u>	<u>0</u>
<b>Cash Flows from Investing Activities:</b>				
Interest income received	4,754	0	4,754	4,291
<b>Net cash provided by (used in) investing activities</b>	<u>4,754</u>	<u>0</u>	<u>4,754</u>	<u>4,291</u>
Net increase (decrease) in cash and cash equivalents	121,393	0	121,393	10,435
<b>Cash and cash equivalents, July 1, 2014</b>	<u>284,715</u>	<u>0</u>	<u>284,715</u>	<u>359,145</u>
<b>Cash and cash equivalents, June 30, 2015</b>	<u><u>\$ 406,108</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 406,108</u></u>	<u><u>\$ 369,580</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (2,099,848)	\$ (2,444)	\$ (2,102,292)	\$ 4,632
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	49,323	2,444	51,767	0
On behalf payments	257,574	0	257,574	0
Commodities used	181,191	0	181,191	0
Changes in assets and liabilities:				
Inventory	21,036	0	21,036	0
Accounts receivable	(351)	0	(351)	0
Accounts payable	(643)	0	(643)	1,512
Accrued sick leave	(277)	0	(277)	0
<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ (1,591,995)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (1,591,995)</u></u>	<u><u>\$ 6,144</u></u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Food commodities received	\$ 181,191	\$ 0	\$ 181,191	\$ 0
On behalf payments	257,574	0	257,574	0
<b>Total Non-Cash Investing, Capital, and</b>				
<b>Financing Activities</b>	<u><u>\$ 438,765</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 438,765</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2015

	Private Purpose Trust Funds	Agency Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 340,436	\$ 545,166
Accounts receivable	0	6,914
Due from Governmental Funds	<u>0</u>	<u>320</u>
<b>Total Assets</b>	<u><u>\$ 340,436</u></u>	<u><u>\$ 552,400</u></u>
 <b>LIABILITIES:</b>		
Accounts payable	\$ 0	\$ 11,528
Due to Governmental Funds	0	3,221
Due to student groups	<u>0</u>	<u>537,651</u>
<b>Total Liabilities</b>	<u><u>\$ 0</u></u>	<u><u>\$ 552,400</u></u>
 <b>NET POSITION HELD IN TRUST</b>	<u><u>\$ 340,436</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
For the Year Ended June 30, 2015

	Private Purpose Trust Funds
	<hr/>
<b>Additions:</b>	
Interest income	\$ 4,373
Contributions received	<hr/> 49,975
<b>Total Additions</b>	<hr/> 54,348
 <b>Deductions:</b>	
Fundraising expenses	1,358
Benefits paid	<hr/> 49,560
<b>Total Deductions</b>	<hr/> 50,918
Change in net position	3,430
<b>Net position, July 1, 2014</b>	<hr/> 337,006
<b>Net position, June 30, 2015</b>	<hr/> <hr/> \$ 340,436

See independent auditor's report and accompanying notes to financial statements

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year ended June 30, 2015

**NOTE A – REPORTING ENTITY**

The Marshall County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Marshall County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Marshall County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Marshall County School District Finance Corporation – In 1991, the Marshall County Board of Education resolved to authorize the establishment of the Marshall County School District Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The board members of the Marshall County Board of Education also comprise the Corporation's Board of Directors.

Marshall County Finance Office – On September 1, 1968, the Marshall County Fiscal Court formed the Marshall County Finance Office as an agency of the Board for collecting the .5% occupational license tax for schools. When the District began providing office space and the salary for the collector of the tax, the fund was included as an Agency Fund on the District's financial statements. Based on format changes to the statements under GASB 34, the Finance Office Fund activities were combined with the General Fund.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Basis of Presentation (continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.



**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Fund Accounting

The District has the following funds:

**I. Governmental Fund Types**

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal, and private grants where unused balances are returned to the grantor at the close of specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 55. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

**II. Proprietary Fund Types (Enterprise and Internal Service Funds)**

- (A) The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$181,191 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.
- (B) The Adult Education Fund (Enterprise) is used to account for revenues from adult education programs.
- (C) The Self-insurance Dental Fund (Internal Service) is used to account for the financing of risk management for dental and vision coverage.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2015, to finance operations were \$.472 per \$100 valuation for real property, \$.472 per \$100 valuation for business personal property and \$.456 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

In addition, the District levies an occupational license tax of .5% on salaries, wages, commissions, and other compensation of individuals for work done and services performed or rendered in the county by resident individuals and on the net profits of all businesses, professions, or occupations from activities conducted in the county.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2015 consisted of fidelity bonds paid during the fiscal year ended June 30, 2015 that included coverage for periods beyond June 30, 2015.

Debt Costs

Unamortized discounts of \$679,183 are included in the government-wide statements. Discounts are amortized over the lives of the related debt issues using the straight-line method.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 17, 2012 meeting, the Board approved a change to its Fixed Asset policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property, including computer workstations. Larger thresholds apply to land improvements, buildings and building improvements, leasehold improvements, and infrastructure. Improvements to land and to buildings in excess of established thresholds are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact. At June 30, 2015, the District had \$1,523 in nonspendable fund balance – prepaids.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had \$299,969 restricted for sick leave in the General Fund, \$122,958 restricted for district activity funds in the Special Revenue Fund, \$187,095 restricted for future construction on BG-1 forms in the FSPK fund, \$1,488,198 restricted for SFCC escrow in the FSPK fund, \$21,904,296 restricted for future construction in the Construction Fund and \$16,873 restricted for debt service in the Debt Service fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2015: \$61,579 for SDBM carryforward, \$10,617 for playground equipment, \$719,759 for buses, \$242,531 for digital curriculum and \$131,230 for KSBIT insurance payable.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2015, was \$184,539 in the General Fund and \$3,657 in the Special Revenue Fund. The General Fund also had \$21,057 assigned for equipment purchases. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Balance Classifications (Continued)

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2015.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

The District does not have a policy regarding the use of restricted net position; however when an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's informal policy to use restricted resources first, then unrestricted resources as they are needed, with the exception of funds that are escrowed for SFCC, which must be released by the SFCC and KDE before being used.

Impact of Recently Issued Accounting Pronouncements

In June, 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*. GASB 68 revised and established new financial reporting requirements for most governments that provide their employees with pension benefits. With the implementation of GASB Statement 68, employers are required to recognize a liability as employees earn their pension benefits (that is, as they provide services to the government). Employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan. The provisions of this statement became effective for financial statements for periods that began after June 15, 2014, which was for the fiscal year ended June 30, 2015.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Impact of Recently Issued Accounting Pronouncements (Continued)

In November, 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB 71 amended a portion of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement were required to be applied simultaneously with the provisions of GASB 68; therefore it also became effective for the fiscal year ended June 30, 2015.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 11, 2015, the date the financial statements were available to be issued.

**NOTE C – ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE D – CASH AND CASH EQUIVALENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year end, the carrying amount of the District's cash and cash equivalents was \$33,722,591. The bank balance was \$35,420,601. Of the bank balance, \$548,580 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$34,872,021 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

MARSHALL COUNTY SCHOOL DISTRICT  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
For the Year Ended June 30, 2015

**Note E - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

Governmental Activities	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Capital Assets:				
Land	\$ 1,294,325	\$ 47,267	\$ 0	\$ 1,341,592
Land improvements	44,500	0	0	44,500
Buildings and improvements	58,905,541	645,970	0	59,551,511
Technology equipment	3,023,566	0	0	3,023,566
Vehicles	5,708,976	685,208	0	6,394,184
General Equipment	3,967,978	57,720	0	4,025,698
Construction	145,032	3,602,433	0	3,747,465
Totals at historical cost	<u>73,089,918</u>	<u>5,038,598</u>	<u>0</u>	<u>78,128,516</u>
Less: Accumulated depreciation				
Land improvements	11,867	2,225	0	14,092
Buildings and improvements	26,858,234	1,316,321	0	28,174,555
Technology equipment	2,792,940	146,989	0	2,939,929
Vehicles	3,922,875	357,765	0	4,280,640
General Equipment	3,074,387	199,203	0	3,273,590
Total accumulated depreciation	<u>36,660,303</u>	<u>2,022,503</u>	<u>0</u>	<u>38,682,806</u>
Governmental Activities Capital Assets - Net	<u><u>\$ 36,429,615</u></u>	<u><u>\$ 3,016,095</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 39,445,710</u></u>
Business-Type Activities				
Capital Assets:				
Buildings and improvements	\$ 114,545	\$ 0	\$ 0	\$ 114,545
Technology equipment	67,076	0	0	67,076
General Equipment	1,249,710	0	0	1,249,710
Totals at historical cost	<u>1,431,331</u>	<u>0</u>	<u>0</u>	<u>1,431,331</u>
Less: Accumulated depreciation				
Buildings and improvements	95,073	2,291	0	97,364
Technology equipment	65,975	1,050	0	67,025
General Equipment	1,001,381	48,426	0	1,049,807
Total accumulated depreciation	<u>1,162,429</u>	<u>51,767</u>	<u>0</u>	<u>1,214,196</u>
Business-Type Activities Capital Assets - Net	<u><u>\$ 268,902</u></u>	<u><u>\$ (51,767)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 217,135</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,351,144
Instructional staff support	1,141
District administration	39,952
School administrative support	2,503
Business support	2,024
Plant operation and maintenance	340,305
Student transportation	285,434
Total depreciation expense	<u><u>\$ 2,022,503</u></u>



**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE F – GENERAL LONG-TERM OBLIGATIONS**

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Marshall County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Marshall County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

Following is a schedule of obligations existing at June 30, 2015:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
June 15, 2004	June 1, 2018	3.000% - 5.000%	\$ 2,030,000
June 21, 2007	May 1, 2027	4.000% - 4.125%	3,195,000
April 22, 2008	March 1, 2018	2.200% - 3.300%	1,325,000
November 30, 2010	November 1, 2030	3.625%	434,000
November 30, 2011	June 1, 2024	2.000% - 2.625%	8,975,000
December 30, 2014	November 1, 2034	2.000% - 3.375%	1,075,000
April 16, 2015	April 1, 2035	3.000% - 3.375%	24,205,000
			<u>\$ 41,239,000</u>

In 1991 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

In November 2011, the Board issued bonds to advance refund outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after June 1, 2014. The defeased bonds were paid during the prior year. In the Statement of Net Position, the net costs associated with the early retirement of the issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$1,272,087. Amortization for the year was \$97,853 and is included as a component of interest expense.

On December 30, 2014, the District issued \$1,075,000 of school building revenue bonds to finance site preparation work for the new middle school. The District is required to make semi-annual payments of principal and interest, with the final payment due November 1, 2034.

On April 16, 2015, the District issued \$24,205,000 of school building revenue bonds to finance the construction of the new middle school. The District and the Kentucky School Facility Construction Commission are required to make semi-annual payments of principal and interest, with the final payment due April 1, 2035.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are as follows:

**MARSHALL COUNTY SCHOOL DISTRICT**  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
Year ended June 30, 2015

**NOTE F – GENERAL LONG-TERM OBLIGATIONS – CONTINUED**

Year	<b>Marshall County School District</b>		<b>Kentucky School Facility Construction Commission</b>		Total
	Principal	Interest	Principal	Interest	
2015-2016	\$ 1,366,966	\$ 1,099,882	\$ 274,034	\$ 166,881	\$ 2,907,763
2016-2017	1,386,082	1,079,597	279,918	160,996	2,906,593
2017-2018	1,437,162	1,029,269	289,838	151,078	2,907,347
2018-2019	1,492,368	975,867	280,632	140,737	2,889,604
2019-2020	1,524,161	940,946	289,839	131,531	2,886,477
2020-2021	1,565,586	903,609	299,414	121,955	2,890,564
2021-2022	1,601,682	865,200	309,318	112,052	2,888,252
2022-2023	1,642,380	824,166	319,620	101,751	2,887,917
2023-2024	1,687,727	782,123	330,273	91,097	2,891,220
2024-2025	1,729,417	737,034	289,583	80,016	2,836,050
2025-2026	1,790,314	679,529	299,686	69,913	2,839,442
2026-2027	1,845,696	619,068	310,304	59,294	2,834,362
2027-2028	1,912,802	555,485	184,198	48,292	2,700,777
2028-2029	1,968,058	497,679	189,942	42,548	2,698,227
2029-2030	2,032,940	435,855	196,060	36,429	2,701,284
2030-2031	2,093,489	372,076	194,511	30,241	2,690,317
2031-2032	2,162,956	303,828	172,044	24,321	2,663,149
2032-2033	2,236,627	232,287	178,373	18,644	2,665,931
2033-2034	2,310,936	156,717	184,064	12,624	2,664,341
2034-2035	2,390,018	78,638	189,982	6,412	2,665,050
	<u>\$ 36,177,367</u>	<u>\$ 13,168,855</u>	<u>\$ 5,061,633</u>	<u>\$ 1,606,812</u>	<u>\$ 56,014,667</u>

In July, 2013, the District financed the purchase of wireless infrastructure through a capital lease. The interest rate on the lease is 1.8% and the lease terms specify an annual payment of \$72,431 beginning July 29, 2013. The final payment is due July 29, 2017. Scheduled payments for the lease are as follows:

Year	Principal	Interest	Total
2015-2016	\$ 68,657	\$ 3,775	\$ 72,432
2016-2017	69,892	2,539	72,431
2017-2018	71,150	1,281	72,431
	<u>\$ 209,699</u>	<u>\$ 7,595</u>	<u>\$ 217,294</u>

The District has an installment payment agreement with the Kentucky Department of Insurance to finance an assessment for workers compensation in the amount of \$174,973. The District agreed to pay 25% (\$43,743) by August 31, 2014 and the remainder will be paid in equal annual installments of \$21,872, beginning August 15, 2015 through August 15, 2020. The agreement does not bear interest, unless payments are not made when due. In the event a payment is not paid when due, the past due payment will accrue interest at 12% until paid. At June 30, 2015, the District owed \$131,230 on this agreement.

Interest incurred and charged to expense for fiscal year ended June 30, 2015 was \$824,652.

A summary of changes in long-term debt is as follows:

	Balance June 30, 2014	Increase	Decrease	Balance June 30, 2015	Due Within One Year
Bonds payable	\$ 17,244,000	\$ 25,280,000	\$ 1,285,000	\$ 41,239,000	\$ 1,641,000
Less: Unamortized discounts	(193,145)	(506,796)	(20,758)	(679,183)	(46,098)
Capital lease payable	277,142	0	67,443	209,699	68,657
KSBIT payable	174,973	0	43,743	131,230	21,872
Sick leave	651,423	39,421	90,905	599,939	99,590
Totals	<u>\$ 18,154,393</u>	<u>\$ 24,812,625</u>	<u>\$ 1,466,333</u>	<u>\$ 41,500,685</u>	<u>\$ 1,785,021</u>

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE G – RETIREMENT PLANS**

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

**General Information About the County Employees Retirement System Non-Hazardous ("CERS")**

*Plan Description* - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits Provided* - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

*Contributions* - Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE G – RETIREMENT PLANS – CONTINUED**

**General Information About the Teachers' Retirement System of the State of Kentucky ("KTRS")**

*Plan Description* - Teaching certified employees of the District and other employees whose position require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

*Benefits Provided* - For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

*Contributions* - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE G – RETIREMENT PLANS – CONTINUED**

**Medical Insurance Plan**

*Plan Description* - In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding Policy* - In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 7,272,199
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>129,771,800</u>
	<u>\$ 137,043,999</u>

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was .224148% of the total liability of CERS.

For the year ended June 30, 2015, the District recognized pension expense of \$826,334 related to CERS and \$3,058,113 related to KTRS. The District also recognized revenue of \$3,058,113 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE G – RETIREMENT PLANS – CONTINUED**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 0	\$ 811,753
District contributions subsequent to the measurement date	<u>918,923</u>	<u>0</u>
Total	<u>\$ 918,923</u>	<u>\$ 811,753</u>

\$918,923 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2016	\$162,351
2017	162,351
2018	162,351
2019	162,350
2020	162,350

*Actuarial Assumptions* - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense and inflation	7.75%	7.50%

For CERS, mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of one year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008 is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class.

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE G – RETIREMENT PLANS – CONTINUED**

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

*Discount Rate* - For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

*Sensitivity of CERS and KTRS proportionate share of the net pension liability to changes in the discount rate* - The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	\$9,569,737	\$7,272,199	\$5,242,284
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	\$0	\$0	\$0

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION**

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2015:

Contributions to Kentucky Teachers' Retirement System	\$ 3,058,113
Technology	79,398
SFCC Debt Service	244,520
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>4,945,907</u>
Total	<u>\$ 8,327,938</u>

These payments are recorded in the General, Debt Service, and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$ 5,610,171
Support services:	
Student	395,401
Instructional staff	264,132
District administration	79,240
School administration	502,653
Business	242,680
Plant operations and maintenance	400,201
Student transportation	331,366
Debt service	244,520
Food services	<u>257,574</u>
Total	<u>\$ 8,327,938</u>

**NOTE I – COMMITMENTS AND CONTINGENCIES**

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.



**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE J – INSURANCE AND RISK MANAGEMENT**

The District is exposed to various risks of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

Employees of the District were covered by the District's dental and vision self-insurance plan (the "Plan"). The District contributed \$26.51 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the District. The administrative contract between the District and the third party administrator is renewable annually and administrative fees are included in the contractual provisions. The costs associated with this self-insurance plan are reported as interfund transactions to the extent of amounts determined to be needed to fund the plan based on past history. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General, Special Revenue and Proprietary Funds. The liabilities of the Plan are based on estimated claims incurred but not yet reported to the third party administrator.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE K - COBRA**

Under the *Consolidated Omnibus Reconciliation Act* ("COBRA"), employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**NOTE L – COMMITMENTS FOR SCHOOL CONSTRUCTION**

During the current fiscal year, bonds were issued and contracts were signed for the construction of a new middle school. The total of the contracts for construction, including change orders, was \$22,192,467. As of June 30, 2015, \$1,779,713 has been paid on these contracts and is included in construction in progress, leaving a balance on the contracts of \$20,412,754.

**NOTE M - TRANSFER OF FUNDS**

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 101,263
Operating	Capital Outlay	Debt Service	Debt Service	432,033
Operating	FSPK	Debt Service	Debt Service	1,160,424
Escrow release	Capital Outlay	Construction	Construction	138,219
Escrow release	FSPK	Construction	Construction	591,771
Operating	Special Revenue	Special Revenue	Instructional	32,656

**MARSHALL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2015

**NOTE N – INTERFUND RECEIVABLES AND PAYABLES**

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, and food service funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2015, which consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Agency Fund	\$ 455	\$ 320
Special Revenue Fund:		
Agency Fund	2,766	0
Agency Fund:		
General Fund	320	455
Special Revenue Fund	0	2,766

**NOTE O – CHANGE IN ACCOUNTING PRINCIPLE, RELATED CHANGES TO CERTAIN BEGINNING BALANCES, AND PRIOR PERIOD ADJUSTMENT**

Effective July 1, 2014 the District was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment to the beginning net position is shown below.

Also, some district activity funds that had been maintained at the school level were transferred to the District Special Revenue fund. The opening balances of those funds are recorded as a prior period adjustment as shown below.

	<u>Governmental Activities Net Position</u>	<u>Special Revenue Fund Balance</u>
Amount at Beginning of Year, as Originally Stated	\$ 27,738,938	\$ 1,378
Adjustments for Prior Period:		
Proportionate share of net pension liability	(8,229,000)	0
Deferred outflows	971,382	0
District activity funds transferred	84,796	84,796
Amount at Beginning of year, as Restated	<u>\$ 20,566,116</u>	<u>\$ 86,174</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
From Local Sources:				
Taxes:				
Property	\$ 6,950,704	\$ 7,240,000	\$ 7,303,182	\$ 63,182
Motor Vehicle	1,242,752	1,242,752	1,312,012	69,260
Utilities	3,165,000	3,025,685	3,065,226	39,541
Occupational license tax	1,900,000	1,900,000	2,085,272	185,272
In Lieu of	1,290,000	1,341,134	1,377,572	36,438
Tuition	1,933	1,933	0	(1,933)
Earnings on Investments	93,000	133,000	140,113	7,113
Other local revenues	86,500	96,500	91,425	(5,075)
Intergovernmental - State	21,769,148	22,280,077	23,046,061	765,984
Intergovernmental - indirect federal	150,000	130,000	126,293	(3,707)
<b>TOTAL REVENUES</b>	<b>36,649,037</b>	<b>37,391,081</b>	<b>38,547,156</b>	<b>1,156,075</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	23,193,337	23,329,877	23,395,776	(65,899)
Support Services:				
Student	1,758,997	1,766,112	1,843,460	(77,348)
Instructional Staff	986,646	1,090,441	1,071,519	18,922
District Administration	1,451,028	1,774,049	1,690,951	83,098
School Administration	2,214,964	2,164,147	2,104,283	59,864
Business	951,160	956,449	928,147	28,302
Plant operations and maintenance	4,787,076	4,819,412	4,698,611	120,801
Student transportation	2,487,349	2,865,940	2,612,288	253,652
Food services	6,886	6,886	1,260	5,626
Community services	37,712	37,712	47,948	(10,236)
Debt service	6,625	6,625	0	6,625
Contingency	3,850,973	4,049,710	0	4,049,710
<b>TOTAL EXPENDITURES</b>	<b>41,732,753</b>	<b>42,867,360</b>	<b>38,394,243</b>	<b>4,473,117</b>
Excess (deficit) of revenues over expenditures	(5,083,716)	(5,476,279)	152,913	5,629,192
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale or comp for loss of assets	13,000	13,000	7,119	(5,881)
Operating transfers in	0	247,000	0	(247,000)
Operating transfers out	(67,219)	(101,263)	(101,263)	0
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>(54,219)</b>	<b>158,737</b>	<b>(94,144)</b>	<b>(252,881)</b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(5,137,935)	(5,317,542)	58,769	5,376,311
<b>Fund Balance, July 1, 2014</b>	<b>5,137,935</b>	<b>5,317,542</b>	<b>6,836,620</b>	<b>1,519,078</b>
<b>Fund Balance, June 30, 2015</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,895,389</b>	<b>\$ 6,895,389</b>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$7,825,844 from the state are included in both revenues and expenditures in the actual column. While these payments were not required to be budgeted, the district did budget an amount of \$7,067,926 in both revenues and expenditures.

MARSHALL COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
From Local Sources:				
Earnings on Investments	\$ 0	\$ 0	\$ 3,410	\$ 3,410
Student activities	0	0	186,293	186,293
Other local revenues	0	0	29,850	29,850
Intergovernmental - State	1,845,830	1,804,720	1,678,288	(126,432)
Intergovernmental - Indirect federal	2,169,558	2,229,657	2,257,146	27,489
<b>TOTAL REVENUES</b>	<u>4,015,388</u>	<u>4,034,377</u>	<u>4,154,987</u>	<u>120,610</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	3,545,269	3,630,447	3,660,966	(30,519)
Support Services:				
Student support services	0	7,850	5,434	2,416
Instructional Staff	134,585	134,595	142,739	(8,144)
District admin support	32,170	22,812	25,215	(2,403)
Plant operations and maintenance	0	0	39,914	(39,914)
Student transportation	103,117	71,897	74,578	(2,681)
Community service activities	267,466	268,039	266,963	1,076
<b>TOTAL EXPENDITURES</b>	<u>4,082,607</u>	<u>4,135,640</u>	<u>4,215,809</u>	<u>(80,169)</u>
Excess (deficit) of revenues over expenditures	<u>(67,219)</u>	<u>(101,263)</u>	<u>(60,822)</u>	<u>40,441</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	67,219	133,919	133,919	0
Operating transfers out	0	(32,656)	(32,656)	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>67,219</u>	<u>101,263</u>	<u>101,263</u>	<u>0</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	40,441	40,441
<b>Fund Balance, July 1, 2014</b>	0	0	1,378	1,378
<b>Prior Period Adjustment - Note O</b>	0	0	84,796	84,796
<b>Fund Balance, June 30, 2015</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 126,615</u>	<u>\$ 126,615</u>

See independent auditor's report and accompanying notes to financial statements

**MARSHALL COUNTY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)  
LAST FISCAL YEAR\***

	<b><u>2015</u></b>
Employer's proportion of the net pension liability (asset)	0.224148%
Employer's proportionate share of the net pension liability (asset)	\$ 7,272,199
Employer's covered-employee payroll	\$ 5,218,944
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	139.34%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

\* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is based on the last measurement date of the net pension liability.

**MARSHALL COUNTY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
KENTUCKY TEACHERS RETIREMENT SYSTEM (KTRS)  
LAST FISCAL YEAR\***

	<b><u>2015</u></b>
Commonwealth's proportion of the net pension liability (asset)	0.631500%
Commonwealth's proportionate share of the net pension liability (asset) associated with the District	\$ 129,771,800
District's covered-employee payroll	\$ 20,328,547
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	638.37%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

\* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is based on the last measurement date of the net pension liability.

**MARSHALL COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)  
LAST TEN FISCAL YEARS\***

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 922,187	\$ 973,511	\$ 999,881
Contributions in relation to the contractually required contribution	<u>922,187</u>	<u>973,511</u>	<u>999,881</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 5,218,944	\$ 5,142,164	\$ 5,114,477
Contributions as a percentage of covered-employee payroll	17.67%	18.93%	19.55%

\* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements



<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$1,021,045	\$ 917,451	\$ 868,643	\$ 706,634	\$ 832,566	\$ 605,862	\$ 470,038
<u>1,021,045</u>	<u>917,451</u>	<u>868,643</u>	<u>706,634</u>	<u>832,566</u>	<u>605,862</u>	<u>470,038</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$5,385,259	\$5,419,088	\$5,375,276	\$5,234,253	\$5,148,820	\$4,593,458	\$4,280,856
18.96%	16.93%	16.16%	13.50%	16.17%	13.19%	10.98%

**MARSHALL COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
KENTUCKY TEACHERS RETIREMENT SYSTEM (KTRS)  
LAST TEN FISCAL YEARS\***

	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>
Contractually required contribution	\$ 3,058,113	\$ 2,448,327	\$ 2,454,781
Contributions in relation to the contractually required contribution	<u>3,058,113</u>	<u>2,448,327</u>	<u>2,454,781</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$20,328,547	\$19,790,966	\$19,953,522
Contributions as a percentage of covered-employee payroll	15.04%	12.37%	12.30%

\* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$ 2,512,268	\$ 2,382,071	\$ 2,414,970	\$ 2,408,176	\$ 2,367,610	\$ 2,139,771	\$ 2,044,592
<u>2,512,268</u>	<u>2,382,071</u>	<u>2,414,970</u>	<u>2,408,176</u>	<u>2,367,610</u>	<u>2,139,771</u>	<u>2,044,592</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$20,521,305	\$ 18,686,173	\$20,113,314	\$19,807,035	\$ 19,324,265	\$ 17,517,815	\$ 16,740,236
12.24%	12.75%	12.01%	12.16%	12.25%	12.21%	12.21%

## **OTHER SUPPLEMENTARY INFORMATION**

MARSHALL COUNTY SCHOOL DISTRICT  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2015

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS AND RESOURCES:</b>				
Cash and cash equivalents	\$ 0	\$ 1,675,293	\$ 16,873	\$ 1,692,166
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 0</u>	<u>\$ 1,675,293</u>	<u>\$ 16,873</u>	<u>\$ 1,692,166</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EQUITY AND FUND BALANCES:</b>				
Restricted				
Construction projects	0	187,095	0	187,095
SFCC escrow	0	1,488,198	0	1,488,198
Debt service	0	0	16,873	16,873
<b>TOTAL FUND BALANCES</b>	<u>0</u>	<u>1,675,293</u>	<u>16,873</u>	<u>1,692,166</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 0</u>	<u>\$ 1,675,293</u>	<u>\$ 16,873</u>	<u>\$ 1,692,166</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2015

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 0	\$ 2,357,998	\$ 0	\$ 2,357,998
Earnings on Investments	0	0	216	216
Intergovernmental - State	432,033	438,965	244,520	1,115,518
TOTAL REVENUES	<u>432,033</u>	<u>2,796,963</u>	<u>244,736</u>	<u>3,473,732</u>
EXPENDITURES:				
Facilities acquisition and construction	0	415,329	0	415,329
Debt service	0	0	1,836,978	1,836,978
TOTAL EXPENDITURES	<u>0</u>	<u>415,329</u>	<u>1,836,978</u>	<u>2,252,307</u>
Excess (deficit) of revenues over expenditures	<u>432,033</u>	<u>2,381,634</u>	<u>(1,592,242)</u>	<u>1,221,425</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	0	1,592,457	1,592,457
Operating transfers out	(570,252)	(1,752,195)	0	(2,322,447)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(570,252)</u>	<u>(1,752,195)</u>	<u>1,592,457</u>	<u>(729,990)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(138,219)	629,439	215	491,435
Fund Balance, July 1, 2014	<u>138,219</u>	<u>1,045,854</u>	<u>16,658</u>	<u>1,200,731</u>
Fund Balance, June 30, 2015	<u>\$ 0</u>	<u>\$ 1,675,293</u>	<u>\$ 16,873</u>	<u>\$ 1,692,166</u>

See independent auditor's report and accompanying notes to financial statements

**MARSHALL COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
For the Year Ended June 30, 2015

	2004 BONDS FUND	2007 BONDS FUND	2008 BONDS FUND	2010 BONDS FUND	2011 BONDS FUND	2014 BONDS FUND	NOW ACCOUNT	Totals Debt service Fund
REVENUES:								
From local sources:								
Earnings on investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 216	\$ 216
Intergovernmental - State	38,633	137,110	19,544	36,095	13,138	0	0	244,520
TOTAL REVENUES	38,633	137,110	19,544	36,095	13,138	0	216	244,736
EXPENDITURES:								
Debt Service:								
Principal	625,000	95,000	415,000	20,000	130,000	0	0	1,285,000
Interest	114,663	133,438	56,175	16,095	220,337	11,270	0	551,978
TOTAL EXPENDITURES	739,663	228,438	471,175	36,095	350,337	11,270	0	1,836,978
Excess (deficit) of revenues over expenditures	(701,030)	(91,328)	(451,631)	0	(337,199)	(11,270)	216	(1,592,242)
OTHER FINANCING SOURCES (USES):								
Operating transfers in	701,029	91,328	451,631	0	337,199	11,270	0	1,592,457
TOTAL OTHER FINANCING SOURCES (USES)	701,029	91,328	451,631	0	337,199	11,270	0	1,592,457
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(1)	0	0	0	0	0	216	215
Fund balance July 1, 2014	548	0	0	0	0	0	16,110	16,658
Fund balance June 30, 2015	\$ 547	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,326	\$ 16,873

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT  
**COMBINING BALANCE SHEET--SCHOOL ACTIVITY FUNDS**  
June 30, 2015

	<u>Benton Elementary</u>	<u>Calvert Elementary</u>	<u>Central Elementary</u>	<u>Jonathan Elementary</u>	<u>Sharpe Elementary</u>
ASSETS:					
Cash and cash equivalents	\$ 27,640	\$ 9,512	\$ 6,497	\$ 14,439	\$ 9,576
Accounts Receivable	0	0	1,537	0	0
Due from Governmental Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u><u>\$ 27,640</u></u>	<u><u>\$ 9,512</u></u>	<u><u>\$ 8,034</u></u>	<u><u>\$ 14,439</u></u>	<u><u>\$ 9,576</u></u>
LIABILITIES:					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due to Governmental Funds	1,634	972	160	0	0
Due to Student Groups	<u>26,006</u>	<u>8,540</u>	<u>7,874</u>	<u>14,439</u>	<u>9,576</u>
TOTAL LIABILITIES	<u><u>\$ 27,640</u></u>	<u><u>\$ 9,512</u></u>	<u><u>\$ 8,034</u></u>	<u><u>\$ 14,439</u></u>	<u><u>\$ 9,576</u></u>
NET POSITION HELD IN TRUST	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements



South Elementary	Benton Middle	North Middle	South Middle	Marshall County High School	Marshall County Technical Center	Totals (Memorandum Only)
\$ 6,701 686 0	\$ 14,421 526 320	\$ 27,527 0 0	\$ 31,821 0 0	\$ 325,154 2,885 0	\$ 71,878 1,280 0	\$ 545,166 6,914 320
<u>\$ 7,387</u>	<u>\$ 15,267</u>	<u>\$ 27,527</u>	<u>\$ 31,821</u>	<u>\$ 328,039</u>	<u>\$ 73,158</u>	<u>\$ 552,400</u>
\$ 0 0 7,387	\$ 6,573 0 8,694	\$ 99 0 27,428	\$ 238 0 31,583	\$ 4,551 0 323,488	\$ 67 455 72,636	\$ 11,528 3,221 537,651
<u>\$ 7,387</u>	<u>\$ 15,267</u>	<u>\$ 27,527</u>	<u>\$ 31,821</u>	<u>\$ 328,039</u>	<u>\$ 73,158</u>	<u>\$ 552,400</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

MARSHALL COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN DUE TO STUDENT GROUPS**  
**SCHOOL ACTIVITY FUNDS**  
For the Year Ended June 30, 2015

	<u>Benton Elementary</u>	<u>Calvert Elementary</u>	<u>Central Elementary</u>	<u>Jonathan Elementary</u>	<u>Sharpe Elementary</u>
REVENUES:					
From local sources:					
Earnings on Investments	\$ 561	\$ 255	\$ 179	\$ 354	\$ 199
Student activities	<u>80,206</u>	<u>57,679</u>	<u>59,122</u>	<u>48,166</u>	<u>56,439</u>
Total Revenues	<u>80,767</u>	<u>57,934</u>	<u>59,301</u>	<u>48,520</u>	<u>56,638</u>
EXPENDITURES					
Student Activities	<u>81,870</u>	<u>72,392</u>	<u>61,304</u>	<u>46,725</u>	<u>56,733</u>
Total expenditures	<u>81,870</u>	<u>72,392</u>	<u>61,304</u>	<u>46,725</u>	<u>56,733</u>
Excess (deficit) of revenues over expenditures	(1,103)	(14,458)	(2,003)	1,795	(95)
Due to student groups, July 1, 2014	47,979	26,134	9,877	32,411	9,671
Prior period adjustment	<u>(20,870)</u>	<u>(3,136)</u>	<u>0</u>	<u>(19,767)</u>	<u>0</u>
Due to student groups, June 30, 2015	<u><u>\$ 26,006</u></u>	<u><u>\$ 8,540</u></u>	<u><u>\$ 7,874</u></u>	<u><u>\$ 14,439</u></u>	<u><u>\$ 9,576</u></u>

See independent auditor's report and accompanying notes to financial statements

South Elementary	Benton Middle	North Middle	South Middle	Marshall County High School	Marshall County Technical Center	Totals (Memorandum only)
\$ 207	\$ 293	\$ 522	\$ 463	\$ 5,253	\$ 911	\$ 9,197
34,186	74,738	83,016	59,291	771,856	61,809	1,386,508
34,393	75,031	83,538	59,754	777,109	62,720	1,395,705
40,621	76,359	92,121	51,885	839,569	54,676	1,474,255
40,621	76,359	92,121	51,885	839,569	54,676	1,474,255
(6,228)	(1,328)	(8,583)	7,869	(62,460)	8,044	(78,550)
14,558	16,165	36,011	23,714	419,885	64,592	700,997
(943)	(6,143)	0	0	(33,937)	0	(84,796)
<u>\$ 7,387</u>	<u>\$ 8,694</u>	<u>\$ 27,428</u>	<u>\$ 31,583</u>	<u>\$ 323,488</u>	<u>\$ 72,636</u>	<u>\$ 537,651</u>

**MARSHALL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS**  
**MARSHALL COUNTY HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Cash Balance</b>	<b>Receipts</b>		<b>Disbursements</b>	
	<b>July 1, 2014</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
DAF Grants	\$ 0.00	\$ 1,031.32	\$ 0.00	\$ 1,031.32	\$ 0.00
Student Fees	8,290.26	22,444.94	23,200.00	30,735.20	17,600.00
Interest	163,788.82	54,099.71	61,400.00	111,055.78	53,700.00
MC Mason Benefit Fund	984.61	1,713.32	1,000.00	2,354.07	1,100.00
Student Activity	339.03	7,184.26	1,550.00	5,280.72	1,500.00
Student Benefit Fund	476.13	50.00	150.00	103.00	150.00
Student ID Fund	1,468.69	1,629.00	1,100.00	3,097.69	1,000.00
Book Fees	3,575.36	26,976.51	21,200.00	30,551.87	29,900.00
Parking	2,091.94	1,201.00	1,500.00	3,292.94	650.00
Academic	4,291.31	5,700.00	5,600.00	4,261.70	5,600.00
Administration	172.75	8,611.40	300.00	4,662.78	225.00
Beta/NHS Club	3,152.87	300.00	800.00	75.00	1,210.00
Card Mania Club	61.51	79.00	50.00	90.00	40.00
Club Interact	363.30	0.00	100.00	34.84	100.00
Dead Poet's Society	0.00	821.28	0.00	95.46	0.00
Drama Club	6,330.93	10,143.74	2,000.00	3,480.47	1,900.00
Drama Musical	5,718.14	0.00	0.00	5,718.14	0.00
FEA Club	1,787.28	0.00	0.00	1,787.28	250.00
FBLA	2,527.42	8,422.89	8,075.00	8,412.39	6,550.00
Functional Living	1,886.60	0.00	2,221.72	458.07	486.00
FFA	20,130.96	24,189.04	20,500.00	29,165.45	22,500.00
French Club	11.34	1,593.00	1,050.00	1,570.66	800.00
Marshall Girls	5,055.57	13,896.30	9,900.00	10,392.09	10,500.00
Marshall Militia (Pep)	828.87	7,500.00	7,000.00	8,073.71	7,500.00
Science Olympiad	1,354.68	2,880.00	2,900.00	3,862.59	1,582.38
Spanish Club	543.53	608.77	370.00	535.09	350.00
Student Council	333.70	727.62	700.00	1,024.48	700.00
TSA	87.06	160.00	1,400.00	0.00	1,100.00
Agriculture	6,273.41	253.70	1,500.00	6,527.11	1,500.00
Technology Fund	667.71	129.10	112.00	767.01	0.00
Art II	927.42	4,133.00	3,900.00	5,060.42	3,900.00
Art I	415.54	4,101.58	3,600.00	4,517.12	3,700.00
The Bass Club	2,169.51	1,375.00	1,720.00	1,653.50	1,720.00
Band	2,388.41	1,428.91	2,250.00	2,887.00	600.00
History/Govt. Trip	1,388.49	9,576.80	16,000.00	8,952.73	15,455.00
FCCLA	19,568.17	22,351.56	17,260.00	23,328.79	15,610.00
JCA	201.30	30.00	0.00	0.00	221.54
Library Club	0.00	2,733.00	0.00	1,907.40	0.00
Library Dept.	1,747.18	1,481.39	1,500.00	3,228.57	1,600.00
Leadership Dynamics	358.56	884.25	200.00	946.75	500.00
Speech Team	73.23	5,813.60	2,500.00	5,828.25	2,500.00
MC Special Olympics	135.53	513.08	525.00	312.50	420.00
Music/Choir	564.86	38,190.51	3,125.00	35,242.75	2,311.00
Mountain Biking Club	445.36	7,048.11	11,000.00	7,347.64	10,500.00
Young Americans	313.08	0.00	150.00	313.08	140.00
Real World Publishing	7,208.04	1,859.10	1,675.00	9,067.14	1,200.00
Archery	0.00	2,320.00	0.00	2,018.49	0.00
Sball Maint. Account	3,470.00	0.00	0.00	0.00	2,500.00
Cheer Regional	1,109.02	0.00	0.00	0.00	0.00
Sub-total this page	285,077.48	306,185.79	241,083.72	391,109.04	231,370.92

See independent auditor's report and accompanying notes to financial statements

	<b>Cash Balance June 30, 2015</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>	<b>Due to June 30, 2015</b>
DAF Grants	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Student Fees	0.00	0.00	0.00	0.00
Interest	106,832.75	0.00	923.53	105,909.22
MC Mason Benefit Fund	343.86	122.71	0.00	466.57
Student Activity	2,242.57	0.00	0.00	2,242.57
Student Benefit Fund	423.13	0.00	0.00	423.13
Student ID Fund	0.00	141.00	0.00	141.00
Book Fees	0.00	500.00	0.00	500.00
Parking	0.00	0.00	0.00	0.00
Academic	5,729.61	0.00	0.00	5,729.61
Administration	4,121.37	0.00	0.00	4,121.37
Beta/NHS Club	3,377.87	0.00	0.00	3,377.87
Card Mania Club	50.51	0.00	0.00	50.51
Club Interact	328.46	0.00	0.00	328.46
Dead Poet's Society	725.82	0.00	0.00	725.82
Drama Club	12,994.20	0.00	0.00	12,994.20
Drama Musical	0.00	0.00	0.00	0.00
FEA Club	0.00	0.00	0.00	0.00
FBLA	2,537.92	0.00	0.00	2,537.92
Functional Living	1,428.53	0.00	0.00	1,428.53
FFA	15,154.55	0.00	1,091.87	14,062.68
French Club	33.68	0.00	0.00	33.68
Marshall Girls	8,559.78	0.00	495.28	8,064.50
Marshall Militia (Pep)	255.16	0.00	0.00	255.16
Science Olympiad	372.09	0.00	0.00	372.09
Spanish Club	617.21	0.00	0.00	617.21
Student Council	36.84	0.00	0.00	36.84
TSA	247.06	0.00	0.00	247.06
Agriculture	0.00	0.00	0.00	0.00
Technology Fund	29.80	0.00	0.00	29.80
Art II	0.00	0.00	0.00	0.00
Art I	0.00	223.00	0.00	223.00
The Bass Club	1,891.01	0.00	120.00	1,771.01
Band	930.32	0.00	0.00	930.32
History/Govt. Trip	2,012.56	0.00	0.00	2,012.56
FCCLA	18,590.94	309.00	0.00	18,899.94
JCA	231.30	0.00	0.00	231.30
Library Club	825.60	0.00	0.00	825.60
Library Dept.	0.00	258.84	0.00	258.84
Leadership Dynamics	296.06	0.00	0.00	296.06
Speech Team	58.58	0.00	0.00	58.58
MC Special Olympics	336.11	0.00	0.00	336.11
Music/Choir	3,512.62	200.00	0.00	3,712.62
Mountain Biking Club	145.83	0.00	0.00	145.83
Young Americans	0.00	0.00	0.00	0.00
Real World Publishing	0.00	145.00	0.00	145.00
Archery	301.51	0.00	0.00	301.51
Sball Maint. Account	3,470.00	0.00	0.00	3,470.00
Cheer Regional	1,109.02	0.00	0.00	1,109.02
Sub-total this page	200,154.23	1,899.55	2,630.68	199,423.10

**MARSHALL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS**  
**MARSHALL COUNTY HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Cash Balance July 1, 2014</b>	<b>Receipts</b>		<b>Disbursements</b>	
		<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
Bball District	8,505.64	13,017.00	0.00	12,585.88	0.00
Athletics	18,050.82	134,672.13	106,000.00	141,387.51	114,860.00
Athletics-Tennis (A)	697.91	344.00	700.00	866.88	1,100.00
Athletics-Boys Basketball (A)	5,776.21	14,162.30	6,450.00	16,710.11	3,678.42
Athletics-Volleyball (A)	4,078.13	1,189.97	1,180.00	480.00	3,700.00
Athletics-Girls Basketball (A)	11,860.47	35,469.33	27,100.00	32,584.75	30,300.00
Athletics-Boys Golf (A)	339.27	84.45	600.00	0.00	450.00
Athletics-Football (A)	504.57	5,909.97	1,922.79	3,397.07	1,900.00
Athletics-Baseball (A)	56.68	7,875.00	2,200.00	7,029.85	2,200.00
Athletics - Girls Soccer (A)	2,254.81	8,244.02	2,700.00	3,606.04	4,500.00
Athletics-Boys Soccer (A)	2,470.88	7,161.03	4,000.00	5,168.33	3,325.00
Athletics-Track (A)	1,113.63	8,403.87	225.00	9,407.50	225.00
Athletics - Softball (A)	648.66	1,478.34	1,100.00	1,651.00	2,000.00
Athletics-Cross Country (A)	2,683.42	0.00	300.00	167.96	2,000.00
Athletics - Hoop Fest	24,552.20	145,088.59	56,220.00	169,003.12	78,900.00
Athletics - Alliance Bowl	5,027.24	350.00	0.00	0.00	0.00
Athletics-B/G District Soccer	2,006.76	15,301.38	0.00	14,023.41	0.00
Athletics-Soccer Subsectional	2,797.67	0.00	0.00	2,000.00	0.00
Athletics-Girls Golf (A)	625.95	84.45	600.00	0.00	150.00
Athletics-Swim Fund (A)	329.37	100.00	100.00	251.14	100.00
Athletics - Baseball (B)	0.00	1,750.00	1,850.00	1,749.63	1,850.00
Athletics-Girls Basketball (B)	0.00	10,950.00	10,709.16	10,949.36	10,709.16
Athletics-Boys Basketball (B)	0.00	10,700.00	10,709.16	10,700.00	10,704.05
Athletics-Football (B)	0.00	19,962.69	19,927.55	19,962.69	19,927.55
Athletics - Golf (B)	0.00	750.00	750.00	700.00	750.00
Athletics-Girls Golf (B)	0.00	950.00	750.00	830.00	750.00
Athletics - Boys Soccer (B)	0.00	4,077.35	3,486.00	4,077.35	3,486.00
Athletics - Girls Soccer (B)	0.00	3,646.85	3,486.66	3,646.85	3,486.66
Athletics - Softball (B)	0.00	1,750.00	1,750.00	1,750.00	1,750.00
Athletics - Swim Team (B)	404.24	500.00	500.00	904.24	500.00
Athletics - Tennis (B)	155.76	700.00	700.00	855.76	175.00
Athletics - Volleyball (B)	342.14	1,540.00	1,540.00	207.50	2,540.00
Athletics-Track (B)	0.00	3,000.00	3,000.00	2,996.50	3,000.00
Athletics - Cross Country (B)	1,892.48	2,000.00	2,000.00	3,892.48	2,000.00
Cheerleaders	4,518.80	27,369.26	23,260.00	21,032.40	23,260.00
Athletics - Middle School	896.39	1,200.00	1,200.00	684.58	1,050.00
Athletics - MS Football	0.60	7,660.00	8,477.26	7,660.60	8,477.26
Athletics - MS Soccer	0.00	4,440.00	4,440.00	3,350.57	4,100.00
Athletics - MS Softball	0.00	3,282.00	4,400.00	3,282.00	4,450.00
Athletics - MS Track	0.00	1,500.00	1,500.00	1,500.00	1,500.00
Athletics - MS Cross Country	1,045.00	1,380.00	1,320.00	2,425.00	1,390.00
Athletics - MS Volleyball	1,460.68	2,400.00	2,400.00	1,252.44	2,400.00
Junior/Senior Class	12,476.15	10,190.00	8,600.00	6,306.06	8,750.00
Annual	1,567.55	27,663.77	24,000.00	29,231.32	21,000.00
Green Alliance	180.48	10.56	0.00	191.04	180.48
Guidance	6,754.71	23,960.88	16,406.00	23,343.16	16,060.00
Fine Arts Fund	7,211.33	3,246.02	500.00	0.00	100.00
Fine Arts Scholarship	4,246.02	0.00	0.00	4,246.02	1,000.00
DAF Instruction	0.00	90,159.08	0.00	90,159.08	0.00
DAF Athletics	0.00	5,896.08	0.00	5,896.08	0.00
DAF Prof Development	0.00	4,295.20	0.00	4,295.20	0.00
DAF Library	0.00	1,530.59	0.00	1,530.59	0.00
DAF Bldg/Grnds Maint	0.00	3,783.46	0.00	3,783.46	0.00
Subtotal this page	137,532.62	681,179.62	369,059.58	693,712.51	404,734.58
Subtotal from previous page	285,077.48	306,185.79	241,083.72	391,109.04	231,370.92
Total Central Fund	422,610.10	987,365.41	610,143.30	1,084,821.55	636,105.50
Less: Interfund Transfers	0.00	208,600.47	0.00	208,600.47	0.00
Total	<u>\$ 422,610.10</u>	<u>\$ 778,764.94</u>	<u>\$ 610,143.30</u>	<u>\$ 876,221.08</u>	<u>\$ 636,105.50</u>

See independent auditor's report and accompanying notes to financial statements

	<b>Cash Balance June 30, 2015</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>	<b>Due to June 30, 2015</b>
Bball District	8,936.76	0.00	0.00	8,936.76
Athletics	11,335.44	910.03	0.00	12,245.47
Athletics-Tennis (A)	175.03	0.00	0.00	175.03
Athletics-Boys Basketball (A)	3,228.40	0.00	1,103.30	2,125.10
Athletics-Volleyball (A)	4,788.10	0.00	0.00	4,788.10
Athletics-Girls Basketball (A)	14,745.05	0.00	817.48	13,927.57
Athletics-Boys Golf (A)	423.72	0.00	0.00	423.72
Athletics-Football (A)	3,017.47	0.00	0.00	3,017.47
Athletics-Baseball (A)	901.83	0.00	0.00	901.83
Athletics - Girls Soccer (A)	6,892.79	0.00	0.00	6,892.79
Athletics-Boys Soccer (A)	4,463.58	0.00	0.00	4,463.58
Athletics-Track (A)	110.00	0.00	0.00	110.00
Athletics - Softball (A)	476.00	0.00	0.00	476.00
Athletics-Cross Country (A)	2,515.46	0.00	0.00	2,515.46
Athletics - Hoop Fest	637.67	0.00	0.00	637.67
Athletics - Alliance Bowl	5,377.24	0.00	0.00	5,377.24
Athletics-B/G District Soccer	3,284.73	0.00	0.00	3,284.73
Athletics-Soccer Subsectional	797.67	0.00	0.00	797.67
Athletics-Girls Golf (A)	710.40	0.00	0.00	710.40
Athletics-Swim Fund (A)	178.23	0.00	0.00	178.23
Athletics - Baseball (B)	0.37	0.00	0.00	0.37
Athletics-Girls Basketball (B)	0.64	0.00	0.00	0.64
Athletics-Boys Basketball (B)	0.00	0.00	0.00	0.00
Athletics-Football (B)	0.00	0.00	0.00	0.00
Athletics - Golf (B)	50.00	0.00	0.00	50.00
Athletics-Girls Golf (B)	120.00	0.00	0.00	120.00
Athletics - Boys Soccer (B)	0.00	0.00	0.00	0.00
Athletics - Girls Soccer (B)	0.00	0.00	0.00	0.00
Athletics - Softball (B)	0.00	0.00	0.00	0.00
Athletics - Swim Team (B)	0.00	0.00	0.00	0.00
Athletics - Tennis (B)	0.00	0.00	0.00	0.00
Athletics - Volleyball (B)	1,674.64	0.00	0.00	1,674.64
Athletics-Track (B)	3.50	0.00	0.00	3.50
Athletics - Cross Country (B)	0.00	0.00	0.00	0.00
Cheerleaders	10,855.66	0.00	0.00	10,855.66
Athletics - Middle School	1,411.81	0.00	0.00	1,411.81
Athletics - MS Football	0.00	0.00	0.00	0.00
Athletics - MS Soccer	1,089.43	0.00	0.00	1,089.43
Athletics - MS Softball	0.00	0.00	0.00	0.00
Athletics - MS Track	0.00	0.00	0.00	0.00
Athletics - MS Cross Country	0.00	0.00	0.00	0.00
Athletics - MS Volleyball	2,608.24	0.00	0.00	2,608.24
Junior/Senior Class	16,360.09	0.00	0.00	16,360.09
Annual	0.00	75.00	0.00	75.00
Green Alliance	0.00	0.00	0.00	0.00
Guidance	7,372.43	0.00	0.00	7,372.43
Fine Arts Fund	10,457.35	0.00	0.00	10,457.35
Fine Arts Scholarship	0.00	0.00	0.00	0.00
DAF Instruction	0.00	0.00	0.00	0.00
DAF Athletics	0.00	0.00	0.00	0.00
DAF Prof Development	0.00	0.00	0.00	0.00
DAF Library	0.00	0.00	0.00	0.00
DAF Bldg/Grnds Maint	0.00	0.00	0.00	0.00
Subtotal this page	124,999.73	985.03	1,920.78	124,063.98
Subtotal from previous page	200,154.23	1,899.55	2,630.68	199,423.10
Total Central Fund	325,153.96	2,884.58	4,551.46	323,487.08
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	<u>\$ 325,153.96</u>	<u>\$ 2,884.58</u>	<u>\$ 4,551.46</u>	<u>\$ 323,487.08</u>

MARSHALL COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF NET POSITION--ALL PRIVATE PURPOSE TRUST FUNDS**  
June 30, 2015

	Benton High Alumni	Don Buffington Memorial	Lola Collier	Coy Creason Memorial	John Draffen	Genoa Filbeck	Robert Glick Memorial	William Heath	Charles Hensley	J. Burnett Holland
ASSETS:										
Cash and cash equivalents	\$ 3,617	\$ 61,287	\$ 27,148	\$ 4,878	\$ 1,146	\$ 27,389	\$ 578	\$ 31,912	\$ 4,071	\$ 35,604
TOTAL ASSETS	<u>\$ 3,617</u>	<u>\$ 61,287</u>	<u>\$ 27,148</u>	<u>\$ 4,878</u>	<u>\$ 1,146</u>	<u>\$ 27,389</u>	<u>\$ 578</u>	<u>\$ 31,912</u>	<u>\$ 4,071</u>	<u>\$ 35,604</u>
NET POSITION HELD IN TRUST	<u>\$ 3,617</u>	<u>\$ 61,287</u>	<u>\$ 27,148</u>	<u>\$ 4,878</u>	<u>\$ 1,146</u>	<u>\$ 27,389</u>	<u>\$ 578</u>	<u>\$ 31,912</u>	<u>\$ 4,071</u>	<u>\$ 35,604</u>

See independent auditor's report and accompanying notes to financial statements



Holland Rose	W. & L. Holland Memorial	Landon Lovett Memorial	Steve Martin	Anthony McCarty	Mary Alice Newton	Andy Riley	Charlie & Cora Walker	North Marshall Alumni	Buddy Poe Memorial	Reed Vocational Technical	Totals (Memorandum Only)
\$ 3,086	\$ 105,719	\$ 8,595	\$ 7,170	\$ 79	\$ 527	\$ 7,033	\$ 5,525	\$ 1,127	\$ 3,945	\$ 0	\$ 340,436
<u>\$ 3,086</u>	<u>\$ 105,719</u>	<u>\$ 8,595</u>	<u>\$ 7,170</u>	<u>\$ 79</u>	<u>\$ 527</u>	<u>\$ 7,033</u>	<u>\$ 5,525</u>	<u>\$ 1,127</u>	<u>\$ 3,945</u>	<u>\$ 0</u>	<u>\$ 340,436</u>
<u>\$ 3,086</u>	<u>\$ 105,719</u>	<u>\$ 8,595</u>	<u>\$ 7,170</u>	<u>\$ 79</u>	<u>\$ 527</u>	<u>\$ 7,033</u>	<u>\$ 5,525</u>	<u>\$ 1,127</u>	<u>\$ 3,945</u>	<u>\$ 0</u>	<u>\$ 340,436</u>

MARSHALL COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION HELD IN TRUST**  
**ALL PRIVATE PURPOSE TRUST FUNDS**  
For the Year Ended June 30, 2015

	Benton High Alumni	Don Buffington Memorial	Lola Collier	Coy Creason Memorial	John Draffen	Genoa Filbeck	Robert Glick Memorial	William Heath	Charles Hensley	J. Burnett Holland
REVENUES:										
From local sources:										
Earnings on Investments	\$ 50	\$ 815	\$ 351	\$ 65	\$ 21	\$ 351	\$ 8	\$ 413	\$ 55	\$ 439
Contributions	0	3,465	0	0	0	0	0	0	0	3,000
Total Revenues	50	4,280	351	65	21	351	8	413	55	3,439
EXPENDITURES										
Fundraising expenses	0	1,358	0	0	0	0	0	0	0	0
Benefits paid	500	500	500	500	1,000	0	300	750	500	500
Total expenditures	500	1,858	500	500	1,000	0	300	750	500	500
Excess (deficit) of revenues over expenditures	(450)	2,422	(149)	(435)	(979)	351	(292)	(337)	(445)	2,939
Net Position Held in Trust at July 1, 2014	4,067	58,865	27,297	5,313	2,125	27,038	870	32,249	4,516	32,665
Net Position Held in Trust at June 30, 2015	<u>\$ 3,617</u>	<u>\$ 61,287</u>	<u>\$ 27,148</u>	<u>\$ 4,878</u>	<u>\$ 1,146</u>	<u>\$ 27,389</u>	<u>\$ 578</u>	<u>\$ 31,912</u>	<u>\$ 4,071</u>	<u>\$ 35,604</u>

See independent auditor's report and accompanying notes to financial statements

Holland Rose	W. & L. Holland Memorial	Landon Lovett Memorial	Steve Martin	Anthony McCarty	Mary Alice Newton	Andy Riley	Charlie & Cora Walker	North Marshall Alumni	Buddy Poe Memorial	Reed Vocational Technical	Totals (Memorandum Only)
\$ 40 0	\$ 1,342 0	\$ 92 3,075	\$ 95 0	\$ 1 0	\$ 7 0	\$ 92 0	\$ 75 0	\$ 14 0	\$ 47 575	\$ 0 39,860	\$ 4,373 49,975
40	1,342	3,167	95	1	7	92	75	14	622	39,860	54,348
0	0	0	0	0	0	0	0	0	0	0	1,358
0	1,500	900	500	0	0	500	750	0	500	39,860	49,560
0	1,500	900	500	0	0	500	750	0	500	39,860	50,918
40	(158)	2,267	(405)	1	7	(408)	(675)	14	122	0	3,430
3,046	105,877	6,328	7,575	78	520	7,441	6,200	1,113	3,823	0	337,006
<u>\$ 3,086</u>	<u>\$ 105,719</u>	<u>\$ 8,595</u>	<u>\$ 7,170</u>	<u>\$ 79</u>	<u>\$ 527</u>	<u>\$ 7,033</u>	<u>\$ 5,525</u>	<u>\$ 1,127</u>	<u>\$ 3,945</u>	<u>\$ 0</u>	<u>\$ 340,436</u>

MARSHALL COUNTY SCHOOL DISTRICT  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<b><u>U.S. Department of Education:</u></b>			
Passed Through State Dept. of Education:			
Special Education Grants to States	84.027	3810002-12, 13 & 14	\$ 889,267
Special Education Preschool Grants	84.173	3800002-14	55,031
<b>Total Special Education Cluster</b>			<u>944,298</u>
Title I Grants to Local Educational Agencies	84.010	3100002-13 & 14	829,186
Race to the Top	84.413	3960002-11	291
Investing in Innovation Fund	84.411A	491A	4,371
Improving Teacher Quality State Grants	84.367	3230002-13 & 14	221,395
Career and Technical Education Basic Grants to States	84.048	3710002-13 & 14	40,650
Passed through State Workforce Cabinet:			
Adult Education State Grant Program	84.002	3734, 3734A, 373A & 365A	53,218
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u><b>2,093,409</b></u>
<b><u>U.S. Department of Health &amp; Human Services:</u></b>			
Passed through Murray Board of Education:			
Head Start	93.600	655A	<u>163,737</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			<u><b>163,737</b></u>
<b><u>U.S. Department of Agriculture:</u></b>			
Passed through State Dept. of Education:			
National School Lunch Program - cash	10.555	7750002-14 & 15	1,224,796
National School Lunch Program - donated foods (Note B)	10.555	N/A	181,191
School Breakfast Program	10.553	7760005-14 & 15	457,172
<b>Total Child Nutrition Cluster</b>			<u>1,863,159</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u><b>1,863,159</b></u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><b>\$ 4,120,305</b></u>

See accompanying notes to schedule  
of expenditures of federal awards

## MARSHALL COUNTY SCHOOL DISTRICT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2015

#### NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Marshall County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2015 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

#### NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$	2,383,439
Total federal grants from page 16		1,681,968
Donated commodities from page 16		181,191
Less: Amount of federal funds received as services, such as Medicaid		<u>(126,293)</u>
Total on page 55	\$	<u>4,120,305</u>

## **REPORTS REQUIRED BY THE SINGLE AUDIT ACT**

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# KIM HAM

## CERTIFIED PUBLIC ACCOUNTANT

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MEMBER,  
American Institute  
of CPA's

♦  
MEMBER,  
Kentucky Society  
of CPA's

### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Marshall County School District  
Benton, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract, including Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Marshall County School District's basic financial statements, and have issued my report thereon dated November 11, 2015.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Marshall County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshall County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Marshall County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Marshall County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

I noted certain matters that I reported to management of the Marshall County School District in a separate letter dated November 11, 2015.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glan". The signature is written in a cursive, flowing style.

Benton, Kentucky  
November 11, 2015



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**KIM HAM**  
**CERTIFIED PUBLIC ACCOUNTANT**

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MEMBER,  
American Institute  
of CPAs

MEMBER,  
Kentucky Society  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Marshall County School District  
Benton, Kentucky

**Report on Compliance for Each Major Federal Program**

I have audited the Marshall County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Marshall County School District's major federal programs for the year ended June 30, 2015. Marshall County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the Marshall County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract, including Appendix I to the Independent Auditor's Contract – Audit Extension Request, and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Marshall County School District's compliance.

***Opinion on Each Major Federal Program***

In my opinion, Marshall County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of Marshall County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Marshall County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Marshall County School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky  
November 11, 2015

**MARSHALL COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015**

**I. SUMMARY OF AUDITOR'S RESULTS:**

1. The auditor's report expresses an unmodified opinion on the financial statements of the Marshall County School District.
2. No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Marshall County School District were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Marshall County School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Marshall County School District.
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster:	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
Improving Teacher Quality State Grants	84.367

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Marshall County School District qualified to be a low-risk auditee.

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

There were no findings in the current year required to be reported in this schedule.

**III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no findings in the current year required to be reported in this schedule.

**MARSHALL COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
June 30, 2015**

**I. FINDINGS – FINANCIAL STATEMENT AUDIT**

There were no findings in the prior year required to be reported in this schedule.

**II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no findings in the prior year required to be reported in this schedule.

## **MANAGEMENT LETTER POINTS**

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**KIM HAM**  
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**MEMBER,**  
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Kentucky State Committee for School District Audits  
and Members of the Board of Education of  
Marshall County School District  
Benton, Kentucky

I have audited the financial statements of the Marshall County School District for the year ended June 30, 2015, and have issued my report thereon dated November 11, 2015. In planning and performing my audit of the financial statements of Marshall County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,



Benton, Kentucky  
November 11, 2015

**MARSHALL COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS**  
June 30, 2015

**UNCORRECTED PRIOR YEAR COMMENTS**

Sharpe Elementary – In the prior two years, we noted some deposits for cash receipt tickets were made several days after the funds were received. As noted in the current year comments, several cash receipts were again not deposited in a timely manner.

North Marshall Middle – In our test of inventory control procedures in the prior year, we noted that the proper forms were not being used and the information on the forms that were used was not sufficient to calculate overages or shortages. As noted in the current year comments, these forms are still not being correctly completed.

**CORRECTED PRIOR YEAR COMMENTS**

Benton Elementary – In the prior year, we noted purchase orders were not always being used. In the current year, purchase orders were on file for all items tested.

Calvert City Elementary – In the prior year, we noted that a shortage from a fundraiser was not properly explained. In the current year, all fundraisers appeared to have reasonable amounts deposited based on the amounts that were expected to be collected.

South Marshall Elementary – In the prior year, we noted there was no paperwork to support the amount of a check written to an individual for a fundraiser. In the current year, we noted supporting documentation for the fundraisers and percentage of profit appeared reasonable.

**CURRENT YEAR COMMENTS**

**Calvert City Elementary**

***Transfer Forms:*** When examining a sample of F-SA-10 forms, we noted that most were not signed by the remitting sponsor. Guidelines for transfers are found in the "Redbook" on page 19.

***Management's Response:*** We did not always know the sponsor for each account. On the accounts that we did in fact know the sponsor, we have gone back and had them sign the form. We will be sure to always have a sponsor signature from now on.

***Cash Disbursements:*** When examining a sample of cash disbursements, we noted six instances where the purchase order was dated after the invoice date. Purchasing policy #5, found on page 12 of the "Redbook" notes that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated".

***Management's Response:*** Purchase orders are not prepared without verbal consent from the principal. We understand that this is not in compliance with the Redbook. From now on, we will be sure to always make the purchase order, have it signed, then place the order.

**MARSHALL COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS**  
June 30, 2015

**CURRENT YEAR COMMENTS (Continued)**

**Central Elementary**

***Cash Disbursements:*** When examining a sample of cash disbursements, we noted five instances where the purchase order was dated after the invoice date. We also noted two disbursements for which no purchase order could be located. Purchasing policy #5, found on page 12 of the "Redbook" notes that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated".

***Management's Response:*** We do understand that always preparing a purchase order and making sure it is prepared before the order is placed is necessary to stay in compliance with the Redbook. We will take steps to improve this and issue periodic reminders to the faculty and staff who have purchasing authority.

**Sharpe Elementary**

***Cash Receipts Procedures:*** The deposits for 14 of 25 cash receipt tickets tested were made three to fourteen days after the funds were received. Deposits should be made by the next business day when more than \$100 is on hand.

***Management's Response:*** We now have two people that are able to make night deposits at this time. All deposits this year to date have been made in accordance with Redbook standards.

***Cash Disbursements:*** When examining a sample of cash disbursements, we noted 17 instances where the purchase order was dated after the invoice date. We also noted three disbursements for which no purchase order could be located. Purchasing policy #5, found on page 12 of the "Redbook" notes that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated".

***Management's Response:*** In the past, credit card purchase orders were made after receipt of statement. Now we are creating purchase orders in advance and editing when statement is received. In other cases, an accounts payable was created. They are now being entered as a purchase order instead.

**South Marshall Elementary**

***Cash Receipts:*** When examining a sample of cash receipt tickets, we noted that multiple receipt forms for bookfair and group picture money did not list each person who paid individually. There was a total amount only. If some other method of tracking these types of receipts is being used, that should be provided to the school treasurer to maintain a copy in the file with the supporting documentation for that receipt.

***Management's Response:*** In compliance with the Redbook, we will make sure students sign multiple receipt forms in the future. A reminder will be issued to all building faculty and staff. We will also make every effort to be sure the bookfairs financial summary is attached to all receipt forms in the future.

***Cash Disbursements:*** When examining a sample of cash disbursements, we noted 7 instances where the purchase order was dated after the invoice date. Purchasing policy #5, found on page 12 of the "Redbook" notes that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated". Policy #7 on the same page notes that "before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice".

***Management's Response:*** Teachers have been informed that a purchase order is needed prior to placing orders.



**MARSHALL COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS**

June 30, 2015

**CURRENT YEAR COMMENTS (Continued)**

**Benton Middle**

***Cash Disbursements:*** When examining a sample of cash disbursements, we noted five instances where the purchase order was dated after the invoice date. Purchasing policy #5, found on page 12 of the "Redbook" notes that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated".

***Management's Response:*** We have talked directly to the faculty/staff at the beginning of the year and reminded them again that a purchase order must be filled out before they purchase anything or travel anywhere.

***Inventory Control Procedures:*** In our test of inventory control procedures, the F-SA-5 form that was examined for a tournament in January, 2015 had an overage of \$843.25. The beginning inventory of \$2,062.50 plus deliveries of \$199.00 totaled \$2,261.50. The collections were \$2,673.25 and with an ending inventory of \$431.50, the total accounted for was \$3,104.75. There was no explanation for the excess. It could not be determined if the counts were incorrect or if some deliveries were omitted.

***Management's Response:*** The cheerleader parents ran the concession stand and kept up with the inventory. The school handled the deliveries and gave them to the cheer parents. After looking over their inventory control sheets, I noticed that they recorded the start-up money as a collection on the January form. That accounts for \$150 of the difference. They also did not record a delivery from Walmart. Also, they had written an explanation sheet stating that the excess of their inventory was from selling nacho cheese/chips, popcorn, pickles and pizza that they did not inventory. This year the concession will be handled by the athletic booster club.

**North Marshall Middle**

***Inventory Control Procedures:*** In our test of inventory control procedures, we again noted that the F-SA-5 forms are not being properly completed. On the first form examined, no vendor was listed and no beginning inventory amounts were listed. Although the deliveries and ending inventories were listed on the form, no extension of amounts were calculated and no totals were included on the form. Other forms did not have dates or activity names and none were properly extended or calculated. The person responsible for concession stand activity should be trained in the proper procedures for gathering all necessary information and performing all calculations to determine whether there are overages or shortages to be explained.

***Management's Response:*** The booster club is taking this over for the 2015-16 school year. We will no longer be responsible for the concessions. The school money will not be used to purchase supplies for the concessions.

***Cash Disbursements:*** When examining a sample of cash disbursements, none of the purchase orders were signed to indicate approval. We also noted three instances where the purchase order was dated after the invoice date. Purchasing policy #5, found on page 12 of the "Redbook" notes that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated".

***Management's Response:*** We recognize this needs to be taken care of before making a purchase in order to be in compliance with the Redbook. We will take steps to improve this and issue periodic reminders to the faculty and staff who have purchasing authority.

**MARSHALL COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS**  
June 30, 2015

**CURRENT YEAR COMMENTS (Continued)**

**South Marshall Middle**

***Cash Disbursements:*** When examining a sample of cash disbursements, we noted six instances where the purchase order was dated after the invoice date. Purchasing policy #5, found on page 12 of the "Redbook" notes that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated".

***Management's Response:*** We understand that preparing the purchase order after the invoice is not in compliance with the Redbook and will take steps to improve this.

**Marshall County High School**

***Fundraiser Worksheets:*** Although the majority of fundraisers appeared to have reasonable amounts deposited based on anticipated collections, the fundraiser worksheet for lollipops sold for choir includes an explanation for a cash overage; however, the calculations actually indicate there was a shortage of \$306. There were 4,320 lollipops purchased for sale for \$1 each. There were receipts deposited that totaled \$3,797 and a count of unsold items worth \$217, which indicates a shortage of \$306. The explanation was that many students reported small donations without the purchase of a lollipop; however, since the amount is actually short, this does not explain the difference.

***Management's Response:*** The remaining inventory was given away at a later fundraiser in the same semester.

**Marshall County Technical Center**

***Fundraiser Worksheets:*** There was no fundraiser worksheet for candy sales. Based on information obtained from the invoice and the company's website, we calculated the estimated amount to be collected if all candy was sold to be \$4,680. Only \$3,825 was receipted and deposited from sales of the candy. Since there was no worksheet prepared, we could not determine the reason for the shortage. We are unsure if there was an ending inventory. Form F-SA-2B should be prepared for each fundraiser in order to calculate whether funds turned in from students are reasonable. Activities will normally result in a profit, but it appears this activity did not generate enough funds to cover the costs of the merchandise.

***Management's Response:*** After further investigation and consultation with the two club sponsors, we concluded that there was left over candy which was not sold and was distributed in lieu of future purchases of snacks during club meetings. The Health Science teacher has completed the appropriate paperwork to account for the leftover candy. Copies of the paperwork will be forwarded to the District Finance Officer. Additionally, no clubs will sell candy in the future.